

JPRS-UEA-88-035  
27 SEPTEMBER 1988



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# ***JPRS Report***

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## **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-88-035

### CONTENTS

27 SEPTEMBER 1988

#### NATIONAL ECONOMY

##### ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

'Economic Sovereignty' Sought for Republics [U. Mereste; <i>KOMMUNIST ESTONII</i> No 6, Jun 88]	1
Gosplan Official on Changing Responsibility of Local Soviets [Yu. Khrenov; <i>SOVETY NARODNYKH DEPUTATOV</i> No 6, Jun 88]	7
Bunich Clarifies Self-Financing, Self-Recoupment Concepts [P. G. Bunich; <i>MATERIALNO-TEKHNICHESKOYE SNABZHENIYE</i> No 4, Apr 88]	13
Course of Restructuring, Obstacles Discussed [G. Ya. Rakitskaya, B. V. Rakitskiy; <i>EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)</i> No 5, May 88]	18
Belorussian Economists Review Experiment, Propose Improvements [V. I. Kletskiy, G. I. Shadurskaya; <i>EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)</i> No 5, May 88]	28
Individual Interests, Social Interests Subordination Issue Aired [G.M. Prokhorov; <i>IZVESTIYA AKADEMII NAUK SSSR: SERIYA EKONOMICHESKAYA</i> No 2, Mar-Apr 88]	33

##### PLANNING, PLAN IMPLEMENTATION

Formation of Enterprise Normatives in 13th FYP Discussed [E. Figurnov; <i>PLANOVOYE KHOZYAYSTVO</i> No 6, Jun 88]	40
--	----

##### INVESTMENT, PRICES, BUDGET, FINANCE

Different Price Formation Models, Problems Examined [V. M. Kim; <i>EKONOMICHESKIYE NAUKI</i> No 5, May 88]	47
---	----

##### INDUSTRIAL DEVELOPMENT, PERFORMANCE

Progress After 2 Years of 12th FYP Reviewed [VESTNIK STATISTIKI No 4, Apr 88]	55
---	----

##### REGIONAL DEVELOPMENT

Profit-Sharing Between Enterprises and Local Budgets Discussed [G.B. Polyak; <i>FINANSY SSSR</i> No 4, Apr 88]	61
Compensation for Rising Prices Discussed	66
Economist Interviewed on Proposed Changes [G. Golub; <i>SOVETSKAYA ESTONIYA</i> , 18 May 88]	66
Additional Questions Raised [S. Umanskiy; <i>SOVETSKAYA ESTONIYA</i> , 7 Jun 88]	69

##### RESOURCE UTILIZATION, SUPPLY

Gossnab to Conduct Wholesale Trade in Transfer Rubles [ <i>MATERIALNO-TEKHNICHESKOYE SNABZHENIYE</i> No 5, May 88]	70
Gossnab Deputy Chairman on Varied Restructuring Success [B. Yakovlev; <i>MATERIALNO-TEKHNICHESKOYE SNABZHENIYE</i> No 6, Jun 88]	72
Wholesale Trade Obstacles, Needed Supply Changes Outlined [A. Yemelyanov; <i>MATERIALNO-TEKHNICHESKOYE SNABZHENIYE</i> No 6, Jun 88]	76

## AGRICULTURE

### AGRO-ECONOMICS, POLICY, ORGANIZATION

- VASKhNIL's Tikhonov on Land Use, Ownership System, Implications for Production  
[V. Tikhonov; *LITERATURNAYA GAZETA*, 3 Aug 88] ..... 82

## CONSTRUCTION

### POLICY, ORGANIZATION

- Zaykov, Architects on Moscow Planning  
[G. Kurenkov, B. Shestakov; *MOSKOVSKAYA PRAVDA*, 18 Jun 88] ..... 89

## HUMAN RESOURCES

### LABOR

- Bunich Views Problems, Gains of Cooperative Activity [P. Bunich; *OGONEK*, 16-23 Apr 88] ..... 94

### EDUCATION

- Economist Censures System of Educational Reform [V. Senkov; *SMENA* No 10, May 88] ..... 97

## MACHINE BUILDING

### ORGANIZATION, PLANNING, MANAGEMENT

- Changeover to Multishift Use of Machinetools Hindered  
[V. Solovyev, A. Niznikov; *SOTSIALISTICHESKAYA INDUSTRIYA*, 16 Jun 88] ..... 102  
Production, Cost Problems at Italian-Built Plant Discussed  
[V. Zenkovskiy; *Moscow SOTSIALISTICHESKAYA INDUSTRIYA*, 23 Jun 88] ..... 103  
Tool-Building Official Discusses His Association's Successes, Future Plans  
[*SOTSIALISTICHESKAYA INDUSTRIYA*, 28 Jun 88] ..... 103  
Machine Tool Plants Reject Cooperation With Ivanovo Association  
[I. Klimenko; *SOTSIALISTICHESKAYA INDUSTRIYA*, 6 Jul 88] ..... 104

## TRANSPORTATION

### RAIL SYSTEMS

- Collegium Evaluates Branch Performance [M. Kaganskiy; *GUDOK*, 14 Jun 88] ..... 108  
Readers Examine New Economic Mechanisms [M. Kaganskiy; *GUDOK*, 28 Jun 88] ..... 109  
Press Conference Examines Railway Safety [GUDOK, 25 Jun 88] ..... 111  
Press Conference Discusses BAM Development  
[*PUT I PUTEVOYE KHOZYAYSTVO* No 6, Jun 88] ..... 111  
Arzamas Train Explosion Followup Reports [R. Ignatyev; *IZVESTIYA*, 6, 8, 14 June 88] ..... 112

### MARITIME AND RIVER FLEETS

- Minister Examines River Transport, Safety  
[L. Bagrov; *RECHNOY TRANSPORT* No 6, Jun 88] ..... 115

### PORTS, TRANSSHIPMENT CENTERS

- River Port Operations Highlighted [N. Vinogradova; *RECHNOY TRANSPORT* No 6, Jun 88] ..... 121

## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### 'Economic Sovereignty' Sought for Republics

18200284a Tallinn KOMMUNIST ESTONII

in Russian

No 6, Jun 88 (signed to press 6 Jun 88) pp 28-39

[Article by U. Mereste, doctor of economic sciences, professor: "The Structural Game and the Structure of Management"]

[Text] The radical economic reform now under way is introducing significant changes in both the principles of management and business activity [khozyaystvovaniye] and in the entire system of economic relations. Here, great importance is attached to reorganization of the management structure.

It was noted at the CPSU Central Committee February Plenum that it is high time for such changes, and that they are aimed at overcoming the legacy of administrative-command methods in economic leadership. But the old approaches are not being given up without a fight either at the oblast or republic or all-union levels.

To start with, it seems that the main emphasis in perestroika in national economic management is being placed on the creation of supraministerial committees and refining their structures and functions. These measures undoubtedly constitute an important part of the program for perestroika since the interrelationships of enterprises and higher management organs will largely depend on them. The extent to which the new Law on the State Enterprise will "operate" in general, how soon this will occur and so forth also depend on them (though not only on them).

I think, however, that the structural shifts now planned and taking place are not ultimately decisive for the development of the economy of either the republic or the country. The management structure now being put in place is designed only to promote subsequent steps along the path of perestroika. But when the overwhelming proportion of the national economy starts to function on the new principles, and when enterprises really do become independent and cost-accounting, it will be necessary to reorganize management all over again. And then it will be not during a transition period but in the interests of the operation under the economic conditions already long created and markedly different from present conditions. Thus, although at this given time today's improvements in the management structure constitute an important part of the economic reform, notwithstanding they can offer only temporary results but not resolve the final fate of perestroika.

The problem of the management structure covers many issues of various merit, including technical issues. For example, subordination of the system in light industry to

the industrial committee set up in the republic or rejection of the idea is one of the simplest technical issues that is not particularly important from the viewpoint of radical perestroika in the republic's national economy. But this issue is of vital importance for the enterprises in that sector, and this should be taken into account.

As with this problem, so all the other problems need to be resolved

### In the Interests of Those for Whom a Solution Is of Vital Importance,

and not by proceeding from some abstract principles, no matter how scientifically and ideologically sound or politically topical they may seem. Throughout the many years of extreme centralism we have, unfortunately, been convinced repeatedly that in the organization and management of the economy consideration is given to the interests of those for whom the corresponding decisions are of only secondary importance: the result is a flourishing extravagance that harms life itself (upsetting the ecological balance, destroying nonrenewable material and spiritual values).

At a session of the Estonian SSR Supreme Soviet in April of this year, where reorganization of the structure of economic management was discussed, the following legitimate question was posed: has the collective working on a project it has been assigned recognized with adequate clarity the aim being pursued by the intended changes? Reductions in the management apparatus even by half will not in and of themselves involve the need for any kind of fundamental change in the entire organization and structure of management. Moreover, within certain limits management can be improved without changing the organization. At the same time everyone knows that when the structure of ownership, production, supply and marketing in the economy remains as before then changing the management organization by no means always provides the expected changes in economic life. This can be seen in the many year of the "structural game" that has involved the amalgamation and breakup of ministries.

Experienced workers know what labor and then time and nervous energy is involved in achieving even slight changes in the economy itself. But organizational transformations, including large-scale ones, have up to now been effected very simply: it was necessary merely to think of something urgent-sounding and desirable without informing the experts and the public (they might only spoil things!) and then go with your proposal to the appropriate level of authority where no one would vote against it, and major reorganizations can begin. The relocation, transfer, transport and acceptance of premises, desks and other property, the reshaping of instructions for posts, the sharing of competence and so forth engrossed people for a long time. Throughout this entire period there was so much bustle by people organizing



their own work in the management organs being transformed that almost no time remained for the economy itself. And when the hands finally touch it, the itch for renewal is already starting again. And it is found, moreover, that the new system has new shortcomings, and just as many as before, and so a new round of restructuring can start again at the paper level.

Although administrators love to administrate they are not interested in changes in the economic reality or they believe that it should not or could not be changed, that the rules of the structural game have long since been mastered. When they are required to improve their work they immediately start to restructure the structure; for the sake of appearance they permit a little to be done, but in fact nothing changes. But during the process of this present perestroika we really are achieving change in the economy itself and not in its superstructure, actual economic relations rather than setting designations for subdivisions and other items in the lexicon. The task is the more complex because after the long years of bustle around imaginary transformations, the people do not trust it.

Hence the conclusion that first of all it would be necessary to change the economy itself and only after that form the corresponding system of management, organization and structure. Truth to tell, both processes should move forward, as they say, hand in hand, and for every change in management organization and structure we should be clear about the following: what is the need for it or what are the changes in real economic life that we thus want to achieve? When neither of these things is defined, we involuntarily become suspicious: is this not the start of another structural game whose purpose is to create the semblance of serious restructuring even though in fact in principle nothing is about to change?

It is possible, and sometimes necessary to talk about the economy in abstract categories, but the economy itself is concrete, and only as such is it amenable to actual influence. You may speak as many eloquent words as you like about purposeful leadership in the Estonian national economy, but in fact it will not be so while only a small part of the production potential here is subordinate to the republic government.

The logic here is pitiless and simple:

**In Order To Manage You Must Have Something To manage.**

The republic's economy is now in general subordinate to no one and no one manages it. Thanks to cybernetics we have found a quite stunning analogy between many phenomena in the art of war and the art of economics. Present-day mathematical economics is based on this, using numerous models and methods developed for solving military tasks. The question is asked: how in the day-to-day economic struggle to lead one sector of the front (for example, the size of Estonia's territory) if its

headquarters (the government of the Estonian SSR) has control over only 10 percent to 15 percent of the troops, while 85 percent to 90 percent receive their orders who knows from whom or from where? And the other commanders are chasing targets that only rarely coincide with the missions that on a given sector of the front should be carried out by the combined efforts of all the troops. The answer is clear: on that sector of the front, chaos reigns. And what will happen if the same situation reigns on all sectors, that is, in all the union republics? It means that the entire front suffers, that is, the entire Soviet economy, and we encounter a problem of all-union significance.

In Estonia, as in the other union republics, for many years purely quantitative and chaotic excesses of production have been taking place under the mask of planned and scientific development of the national economy. The process has acquired the nature of permanent growth, while the republic government can only observe from the sidelines. This situation is increasingly hampering accelerated economic development. **The priority task now, therefore, is the restore the unity of the economies of the union republics according to the principle that all the production enterprises located on the territory of a republic should be subordinated to its government, which through planned leadership pursues an economic policy that meets the interests of the republic and the entire country.**

Enterprises in the war industry, whose exterritoriality and strict centralization in management are obviously advisable and inevitable, could be excepted. Enterprises of all-union subordination could, and indeed should, also operate within the republic (on roughly the same principles and in about the same numbers as the so-called transnational enterprises in small industrially developed states). But they should not be an exception to the above-mentioned rule since, like the enterprises of the transnational corporations in any country, the all-union enterprises should be subordinated to its government in all matters affecting the interests of the republic. The republic government must at present accommodate itself to the policy of the departments—the bosses of the all-union enterprises—and adapt the local culture and tenor of life to that policy. The opposite should be the normal practice: the existence of a plant of all-union subordination on the territory of the republic should be possible only within frameworks established by the republic itself (including payments to the republic and local budgets, a regime of environmental protection and fines for violating that regime, and so forth). In short, enterprises of all-union subordination can operate only within limits acceptable from the viewpoint of the republic economic policy.

In this kind of arrangement for the interrelations between the union republic, on the one hand, and the all-union ministries, main administrations and departments, on the other, there is no need to suggest the

appearance of some kind of economic nationalism or isolationism. It is quite incorrect to see in this some violation of the integrity of the USSR national economy. On the contrary, it is

#### **The Most Efficient Method for Improving the Country's Economy.**

From the viewpoint of mathematical economics this means the creation of prerequisites for optimizing the national economy of the national state in parts, which under the conditions of the system of gigantic scales and the highest degree of complexity in the national economy, is essentially the only possible approach.

The following objection may be raised: as a result of these kinds of transformations all the republics will hamper the operation of all-union plants or try to close them down completely. Such misgivings are unfounded. International experience shows convincingly that the opposite is true: in general all states and regions are interested in having the enterprises of the transnational companies and corporations on their territory because they pay the local authorities high taxes, provide people with well-paid work, oblige them to develop the infrastructure, for example, the highway network, and so forth. In other words, **they bring benefits.**

Cities in which enterprises of the transnational corporations are located quickly become rich and are usually distinguished by the provision of good public amenities and the presence of splendid public buildings—sports facilities, swimming pools, libraries and so forth. Therefore states, and more often, cities, departments and estates even fight each other to secure for themselves and entice such enterprises, which will help to accelerate socioeconomic development. Here, of course, they refuse to cooperate with corporations whose activities are in nature or essence for some reason unacceptable. Finally, a system is put in place that has all the prerequisites for achieving an economic structure close to the optimum, improving labor productivity and production efficiency, and thus creating increasing opportunities for cultural development.

There are, of course, no grounds for asserting that this kind of near-ideal picture is painted everywhere abroad. By no means: there are many regions where the transnational companies shamelessly plunder local natural resources, pay workers poorly, and pollute the environment. But when we are looking for examples of the optimum combination of territorial and sector economic management, attention is naturally focused on successful solutions, no matter where they may have been found. It would be unreasonable to ignore the fact that in many countries, cities and regions the activity of the enterprises of transnational companies are skillfully organized on principles of mutual advantage. Neither can we close our eyes to the fact that many of the all-union enterprises functioning here either fail to participate at all in development of the local economy and life, or do it on a

niggardly scale and with reluctance. It goes without saying, of course, that this approach to the matter gives rise to contradictions and a negative attitude toward the enterprises. I believe that cardinal restructuring of the mutual relations of all-union departments, ministries and local soviets and their transfer to the principle of mutual economic advantage could also help in improving the social climate.

The following proposal stems from the above: in the interests of optimizing the economy of the entire USSR (I emphasize: not just Estonia or some particular one of the union republics) the basis of mutual relations between the all-union departments and the republics should be a model by which **the republics are regarded as independent states while the all-union departments are regarded as transnational corporations. And this is important to bear in mind given the upcoming perestroika in the political system.**

Neither should we forget that it was V.I. Lenin's profound conviction, which was deliberately ignored by Stalin, that the Soviet republics should also be sovereign, not in words but in fact. Lenin's idea on the sovereignty of the union republics in words has been preserved in all their constitutions to the highest degree

#### **As Meaningful in Both the Political Sense and the Economic Sense.**

On ceremonial occasions, particularly during meetings with foreign journalists and scientists, we invariably stress the full sovereignty of the republic. At the same time we know that even to construct the simplest public building, confirm new kinds of goods, change the size of student grants, set up some new newspaper or journal or even change its name, and resolve countless questions of absolutely local significance, not to mention the more important issues, it is necessary to obtain permission in the all-union departments. Hence, words and the reality diverge sharply.

Regarding the all-union departments on the territories of the republics according to the model proposed above, as transnational corporations, means first and foremost that their ambitions need not be understood and interpreted as they have been up to now, that is, that the interests of all-union departments express the interests of all the Soviet people, to which the interests of the local republic or the individual republic should always yield.

The press has recently been literally adorned with examples of how the interests of the all-union departments are often in glaring contradiction to the interests of the country's national economy and the entire Soviet people. In the past this has repeatedly led to serious consequences that took decades to deal with, and sometimes to losses of nonrenewable materials and intellectual losses.

Organizing a system for the country's national economy so that enterprises of the all-union ministries and committees are subordinated to the diktat of the republics means **bringing into play a mechanism of effective social control** designed to help prevent such losses. If the all-union departments can build and operate their own plants and mines only on condition that this is socially acceptable and economically advantageous for the corresponding republic, then it can be hoped that their activities will not harm the economy of the republic or of the entire country, or the interests of the people. The proposed system may be described in brief as

**A Moderately Centralized and Predominantly Decentralized Economic Organization.**

Otherwise (if as before sector management dominates) the small republics will be quite powerless and without rights in face of the central departments, a situation reminiscent of certain small nominally independent states where all power has been seized by the transnational corporations whose centers are at the other end of the world. As is known, in the world press this is called economic colonialism. When journalists from the republics (and also the oblasts) write about the situation that has taken shape they point to the phenomena that in their opinion remind them of the consequences of economic colonialism, and their words should not be regarded as slander or even the use of inappropriate expressions with regard to the Soviet economy.

I think that this epithet contains a large proportion of truth and it should be taken very seriously. In the affairs and acts of the all-union departments and in their attitude toward the "local" people, whose sovereign rights are simply being consigned to oblivion, there is indeed a great deal of arrogance. To this we must add waste in the use of natural resources, disregard of local interests, irresponsibility, the "zealousness" of the moment, and other anachronisms in the socialist national state.

As a rule attempts are made to justify this kind of activity by the general state and national interests that the all-union departments supposedly represent. In reality, ignoring local interests most often also harms the national interests, and from the standpoint of the entire country's economy it is extremely harmful. It is precisely here that one of the main causes of the slowdown in the overall development of the USSR national economy is to be found, even though even as this happens almost all of the departments are "flourishing." Because of the incompatibility of the structure with local conditions, and imbalance in the economy of each territorial unit, so much friction and internal stress are being generated that most of the growth achieved in the global national product is being used to deal with them. And the result is the low level of the economy and the stagnation that we are now experiencing so heavily.

In response to the above, people who think it "basically unnecessary" to restore in full the economic sovereignty of the union republics within the framework of the unified national economic complex usually cite counter arguments of an emotional, historical, demographic or ideological kind that it makes no sense to examine here. Among the counter arguments of an economic kind perhaps the most weighty is the following: the recommended transformations, they say, amount in principle to territorial management of the economy, which we have already experienced once, and with negative results. What they have in mind is the creation of the councils of national economy [sovnarkhozy] set up in 1957 and liquidated in 1965, after which the economic system became even more centralized. The basis of the new wave of extreme centralism is the widespread opinion that over time the experiment with the territorial management system supposedly showed convincingly that it is totally unsuitable under the conditions of socialism. It has also been asserted that the numerous petty organizational flaws permitted during the hasty Khrushchev-type reform were fatal for that experiment.

Until a scientific analysis is made of the activity of the former sovnarkhozes and the subsequent economic reform of 1965 that followed their liquidation, we can do nothing. The fact that up to now neither of these things has been the subject of any thorough monograph meeting all the criteria of the scientific method has come to the public awareness only in connection with perestroika. Therefore, when considering these issues we can rely only on the initial evaluations made from far from complete data and extremely superficial studies. They enable us to assert that, first, the experiment with the sovnarkhozes cannot be identified with the restoration of economic sovereignty to the union republics; second, that the formation of the sovnarkhozes did not signify any actual transfer to territorial management for the entire economy; third, that their activity was unsuccessful not because of trifling matters.

Through the sovnarkhozes an attempt was made to achieve by purely administrative methods the comprehensive economic development of various regions, liquidate two-way and unnecessary freight movements and so forth. The steps taken to this end were in and of themselves well-thought-out and sound but they did not lead to any kind of qualitative changes either in society or in the economy or in the political system. It was a question of a simple attempt to organize an administrative-command economy a little better. Moreover the reform did not cover the entire economy but only industry and construction. From today's standpoints we can recognize that the technological boundaries of that reform were satisfactory while the theoretical substantiation was weak. Looking back decades later it can be said that in that form the reform did not produce any special results on a countrywide scale though it could be regarded as good groundwork for subsequent steps along the road of developing the structure of the economy it we had wanted to do that.



The present situation is quite different. The perestroika that has been initiated is of a basically different nature and a revolutionary turn has been made in economic development, whose success should insure precisely qualitative changes in the economic base, from perestroika in ownership relations to decisive rejection of command-administrative methods in management. The radical reform embraces the entire economy but is not limited to that; there is no sphere of public life that has not been touched by perestroika. Transformation of the economy is being accompanied by democratization in the entire life of society. Perestroika draws its energy from development of the economic sense of enterprise and the initiative of hundreds of millions of people. In this an important role is played by

**Glasnost, the Restoration of People's Democratic Rights, and Perestroika in the Political System.**

Actual restoration of the economic sovereignty of the republics could become one of the most important measures in the planned transformation of the political system, and exert a decisive influence on success in the economic reform. Already, thanks to the concomitant changes in society and the economy, restoration of the sovereignty of the union republics cannot be identified with the creation of the sovnarkhozes, not to mention their essential differences.

It is universally known that in the past not one single even slightly sound attempt to transform our economy was ever brought to a conclusion. This also applies to the experiment with territorial management of the economy. During the entire relatively long time that the sovnarkhozes existed as management organs, no actual territorial restructuring of the economy occurred, and even less is it possible to talk about any new structuring in economic management. Reorganization was mainly only work on paper—the compilation of plans and reports, the allocation of funds, and a system for passing on instructions by telephone. The irrational production relations between enterprises in different economic regions and the resulting misguided regional economic structure were fully retained. Soon after their formation, all the sovnarkhozes received their orders: temporarily, pending special instructions, retain all economic ties established with enterprises in other economic regions; do not sever these ties on your own initiative! But no special instructions ever followed. Then came the order to abolish the sovnarkhozes. This is why throughout the entire period of the experiment territorial management failed to provide the expected fruits, either in the form of liquidation of unnecessary deliveries or two-way deliveries, or in the form of a more effective structural policy. Instead the correspondence and the stream of all possible kinds of instructions increased. In Estonia the activity of the sovnarkhozes was in the early years, to everyone's surprise, fruitful. In this, great credit is due to the chairman of the council, the experienced economic leader A. Veymer and his "team," who with enthusiasm and despite the obstacles managed to do a great deal,

mainly in rationalizing internal republic economic relations. A positive role in this was played by a generally developed economic thinking given wings by the opportunity for independent decisionmaking.

When the sovnarkhozes were liquidated in 1965 there was much talk about the voluntarist nature of their creation, and also about the bureaucracy that had flourished thanks to their kindness. On the basis of our observations today on bureaucracy and the various forms in which it is manifest, we can assert that at least in some part (and quite a significant part) it was not a bad thing in general terms that the planned reform in territorial management turned out to be the latest victim in the crafty sabotage on the part of the bureaucracy.

A certain irony is lent to this story by the fact that the spectacle of the abolishing of the sovnarkhozes was presented as a effective means of reducing the bureaucracy. In this way, another observation is confirmed: at no time did anyone attempt openly to guard or protect the bureaucracy. On the contrary,

**Major Bureaucrats Everywhere Are Advocating in Words a Struggle against the Bureaucracy.**

This is why it always flourishes. In any event, during the course of the campaign to abolish the sovnarkhozes in 1965 it was possible to make splendid use of this in the struggle to strengthen the bureaucracy. Bureaucracy, corruption and other social ills found such fertile soil that already by the early Seventies signs of a rapidly approaching economic stagnation could be traced.

It follows what the above that the attempt to assert the principle of territorial management did not fail because of some secondary trifling matters that passed unnoticed by its organizers. On the contrary: because of a somewhat weak conceptual preparation for the reform it failed in the struggle against the bureaucratic apparatus, which took advantage of a rare diversity of reliable methods long since tried and tested. During the initial stage of this present perestroika (to some it seemed too long, and some asserted that they are merely talking and writing about perestroika) the theory of transformations was thoroughly worked out and their ideology and policy drawn up. In this sense, today's radical economic reform has been better and more carefully prepared than all past attempts at renewal. And something has been done to curb the still powerful bureaucracy, although by no means enough.

Now it will be correct to talk about not simply an extension of rights for the republics, which up to now has been engaged in very guardedly. The "extension of rights" is merely a cosmetic thing. Regardless of how many points may be included in the list of extended rights, we still cannot say that we have abandoned the distortions of Stalinist times or that we now call things by their real names. To call the union republics equally sovereign states within the USSR and to consider it



possible literally point by point to list what they have been allowed are mutually exclusive actions, fundamentally contradictory. A sovereign state is a state that has the right to decide **everything**, including what part of its sovereignty it may voluntarily yield up. This means that **accurate lists can be made only for what a sovereign state is yielding up in favor of some other state or alliance of states.**

Here, the analogy with the laws of a legal state list only what the individual should not do, what is forbidden, applies in full. Everything that is not forbidden should be allowed. If people begin listing exactly what they are allowed to do, and it is understood that henceforth, if they behave well their rights will be extended even more, then people are no longer free and they do not have legal protection. In this case, everything that is not allowed is forbidden, as in the time of Stalin, and there really was stagnation. For, in M.S. Gorbachev's definition, the Law on the State Enterprise adopted in 1987 is the first legal enactment in which the principle that everything that is not forbidden is allowed has been consistently observed.

When everything is the opposite, however, even a minimum feeling of security delivers the individual from extreme guardedness about everything. And this leads to passivity, and ultimately apathy. It is a question of well-known phenomena that in the economy are transformed into a fear of deciding anything for oneself, a blunting of the sense of responsibility, a stifling of initiative. The actual abrogation of the sovereignty of the union republics proclaimed in words and giving them permission to act within very narrow and precisely defined frameworks has led to inaction on the part of their governments in many economic matters in precisely which they are called upon to have the decisive word. Extending the rights of the union republics can correct this kind of situation only within extremely limited confines.

We have no intention here of citing in detail what V.I. Lenin said as the founder of the world's first allied socialist state concerning what this fraternal alliance should be. This is well known.

#### **After Restoring Socialism in the Leninist Understanding**

and purging all spheres of life from distortions (which in their time pursued the far-reaching aims of consolidating the unlimited one-man power of Stalin), there will be nothing more natural than **abandoning any further extension of the rights of the union republics and restoring their full and actual economic sovereignty.** This would simultaneously also be a revolutionary solution to an old problem in the period of perestroika, namely, achieving a sensible combination of territorial and departmental management.

Change in the numerical strength, limits of activity and tasks for the national economic management organs in the republic should be dictated by the needs arising from

below. Changes are designed to promote maximum use of all the opportunities inherent in the Law on the State Enterprise and other novations for improving the structure of the local economy. At the same time it is essential that transformations will help in the future to restore the integrity of the national economy of the republic.

**Change in the management system is justified only when it reflects or is outstripping change in the structure of the economy in a desired direction.** Many practical conclusions follow from this principle, but because of lack of space we cannot consider them all here. One of them, for example, is the following: in a situation in which so few enterprises are subordinated to the republic that it is impossible to manage the national economy as a unified whole, no other sector should be additionally transferred to all-union subordination no matter what the arguments, considerations or solicitation in favor of so doing.

The structural problem of the economy in a union republic and problems concerning the subordination of its enterprises, the place of the republic within the country's unified national economic complex, and its competence relative to the all-union departments, in short, the problem of the republic's sovereignty in the economic field, is not a local or republic problem, and not even a regional problem. **It is an all-union problem that is now urgent in all the union republics.** While seeking the best scenario for resolving it and expressing our ideas and weighing the pluses and minuses in the proposals of others, our heartfelt concern is for the economic and cultural development of our entire all-union state and all its peoples. It is precisely to this that the party calls all Soviet people, without exception. Neither is there any suggestion of nationalism in the fact that we are focusing our attention precisely on a possible role for the union republics in an economic and political system that is changing radically.

The fact that in enhancing the role of the republics in perestroika in the national economy we regard the restoration of their independence to be important has nothing in common with separatism. Quite the contrary: it is perceived as **a way and a means of achieving closer and more effective integration in the economic life of the union republics,** from which the country as a whole would be the first to benefit since it makes it possible to improve the effectiveness of both intrarepublic and interrepublic economic ties.

Just remember the practice of forming national military units during the war. The national corps and divisions of Estonians, Latvians and representatives of other nations in our country were not created in order to disunite them, hamper their interaction or prepare the ground for the spread of nationalism. It is common knowledge that the national military units justified themselves in all respects, and it was thanks to them that more complete use was made of the opportunities found in the free cooperation of people linked together by their common origin, way of thinking and language, in the common

interest. They did for the combined victory much more than those same people could have done if they had been dispersed to different formations. So why the fear now that if the proclaimed sovereignty of the republics were transformed into real independence this would excommunicate the nations from the aspiration toward common and universally useful goals? Over these long years of peace the positive role of the national units in the war has evidently been forgotten by people for whom today the mention of full sovereignty for the republics seems to be something horribly antisocialist and anti-Soviet; it has been forgotten that

### V.I. Lenin Emphasized Full Sovereignty for All the Republics

as a most important principle on which the USSR should be built as an association of free socialist states.

I have heard rebukes against Estonian scholars for their excessive interference in perestroika in the economic and social life of the entire country and raising of the kind of problems that do not fall within the competence of a republic. Those offering these rebukes do not mention the fact that by counseling us to restrict ourselves merely to local problems, and first and foremost those that can be resolved now, at the local level, in reality they are preaching provincialism. Now, when the overwhelming majority of Estonians have lived all their conscious life in the land of the soviets, they naturally think in broader terms; the well-being of the entire all-union state **and of all its peoples** is not something alien to them, and they see the resolution of the problems in their own republic not only as sweeping the doorstep of their own door but as a renewal that embraces all the union republics. During the course of the exchange of opinions lately some senior people who also consider themselves to be more experienced comrades but have, however, been limiting their thinking and proposals only to the republic, have accused social scientists of the middle and younger generations, who proceed from the country's common interests and the economic well-being of all its peoples, and also from the need to maintain the high international prestige of the USSR, of nationalism, separatism, isolationism and other kinds of "isms." As a rule, there is no justification for this apart from a "minor" optical illusion: the gaze of the convinced provincial sees national narrowmindedness on the internationalist scale.

Perestroika was initiated "from above," but realization of the program that has been outlined requires the spiritual energy of the entire Soviet people. Hence, why cannot the spiritual leaders from the union republics in this gigantic enterprise offer competent proposals about the new place of the republics in the renewed political and economic system of our common all-union state? This is natural, because it is precisely in the republics that most experience has been gained and most observations made regarding the shortcomings in earlier management and economic relations. We cannot expect that

proposals about enhancing the role of the union republics will come from some all-union department whose system of interests, direction and nature of action differs sharply from those adopted in the sovereign territorial units! It is impossible because the policy of perestroika dictates the need to limit the enormous departmental powers that are holding back development in the national economy. The best means for this will be full restoration of the economic sovereignty of the union republics. At the same time it will promote improvement in social conditions and relax the tension that has built up in relations between the nations.

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### Gosplan Official on Changing Responsibility of Local Soviets

18200254 Moscow SOVETY NARODNYKH  
DEPUTATOV in Russian No 6, Jun 88 (signed to press  
26 May 88) pp 40-48

[Interview by Yu. Khrenov with A. L. Mukoyed, USSR Gosplan governing board member, chief of the Territorial Planning and Location of Productive Forces Department: "How To Become the Master In the Territory Under Your Jurisdiction." First paragraph is source introduction]

[Text] A. L. Mukoyed, USSR Gosplan collegium member and chief of the Territorial Planning and Location of Productive Forces Department, answers questions presented by the journal's editors. With this material the editors conclude their series of talks with department heads regarding the adoption of the resolution by the CPSU Central Committee, the USSR Supreme Soviet Presidium and the USSR Council of Ministers dated 25 July 1986 and dealing with the increased role and expanded responsibility of the Soviets.

[Question] Soon, Aleksandr Lvovich, it will be 2 years since the CPSU Central Committee, the USSR Supreme Soviet Presidium and the USSR Council of Ministers adopted the resolution to increase the role and strengthen the responsibility of the Soviets. Issue No 2 of our journal for last year contained our conversation about how the USSR Gosplan and other central departments are fulfilling this resolution as it applies to them. At that time you said that the departments are working on everything that has been assigned to them and that a reliable mechanism is being created for including in the cause the new powers of the organs of authority. Yet time has passed, and now we have occasion to hear from some Soviet workers that the resolution still is not operating in full force. What can you say about this?

[Answer] I will say that these are evidently the voices of those who have become accustomed to working in the old manner, without initiative or creative search, those

who blindly believe in the power of administrative-volitional methods, those who do not want to make independent decisions or who do not know how to set up organizational work at the current level with the application of technical-economic computation, economic-management analysis, contract relations, and other means from the arsenal of the new economic management mechanism.

For example, paragraph 2 of the above-mentioned resolution gives the Soviets of People's Deputies the right to organize on a coordinative and contractual basis the joint activity of enterprises along various directions. In this case, part of the funds saved from the implementation of these measures is placed at the disposal of the Councils of Ministers of the union (without oblast division) and autonomous republics and the executive committees of the local Soviets for use in the economic and social development of their appropriate territory.

However, without an in-depth analysis or technical-economic substantiations, without organizational work in the labor collectives, without the ability to achieve realization of previously adopted agreements, the new rights in themselves will, of course, not be in effect in full force, and not even in half force. This, I might add, was proven also by my personal experience of work as first deputy chairman of the Krasnoyarsk krayispolkom. We must act in a planned manner, persistently, we must more broadly involve the depute active membership, the forces of the community, and the labor collectives of the enterprises in the solution of various regional problems. Then everything will work out.

In other words, in order to more fully utilize the rights presented to the Soviets by the resolution of 25 June 1986, it is necessary to increase the activity and initiative of the workers themselves, and primarily the executive committee managers and workers, as well as the members of the depute commissions. They must master more completely the new methods of economic management and be more decisive in making independent decisions, guided by the interests of the cause and the effective legislation.

[Question] The rights of the Soviets are expanding and their responsibility for the results of economic management is increasing. At the same time, the enterprises are also acquiring more rights and more independence. Isn't there a contradiction in this? The resolution of which we speak and the Law on the State Enterprise—don't they enter into conflict with each other?

[Answer] There are no contradictions. On the contrary, one reliably corresponds to the other. The enterprise is the basic productive unit of society, and under the new conditions it, this unit, is less firmly written into the sectorial system. Is this good for the Soviet? Of course it is. Those questions of interrelations with enterprises which as a rule before had to be "sent upstairs" due to the lack of independence of the Soviet, can now be

resolved locally. The organ of authority no longer needs to write letters or send messengers to Moscow on every question. Everything can be resolved in a business-like interaction with the economic managers and labor collectives in one's own kray, oblast, city or rayon. For example, the enterprises now have extensive rights in spending their own funds for the development of the social sphere and other local needs, while before they needed the permission of the appropriate sectorial ministry or department in resolving such questions. So the Soviet and the labor collectives had to try to find a common language and to agree how best to use part of these funds for their general benefit!

In short, I believe that the resolution of 25 July 1986 in no way "conflicts" with the Law on the State Enterprise. Both of these documents were adopted in fulfillment of the resolutions of the 27th CPSU Congress and are aimed toward the affirmation of economic and democratic methods of management, toward the development of the initiative and business-like manner of workers at the local agencies, and toward increasing the effectiveness of social production.

In the USSR Law on the State Enterprise (Association), Article 9 specifically regulates the relation of the enterprise with the local Soviets and directly confirms a number of directives of the previously adopted resolution regarding the Soviets. It states, for example, the need for interaction of the enterprise with the Soviets in work on seeking out and utilizing the reserves for accelerating the development and increased effectiveness of production, and for coordinating technical-economic substantiations and computations for the construction of facilities, as well as title lists of construction sites.

Such standards, which stem from the resolution, may also be found in other articles of this law.

[Question] The resolution on Soviets stated that the central ministries and departments must adopt a series of normative statutes for its implementation. In our last discussion you said that the final decision on some of these is delayed due to the preparation of the Law on the State Enterprise. Now the law has gone into effect. But what about the new departmental statutes?

[Answer] For the most part they were developed in 1986 and approved at the beginning of 1987. However, we must say directly that after the adoption of the USSR Law on the State Enterprise and a number of resolutions on improving the economic management mechanism, the role of the departmental normative documents—not only those adopted in connection with the resolution on Soviets, but all of them in general—becomes less important. In 1987 work began on the abolition and clarification of many of them. This is absolutely fair and extremely necessary.



In connection with this I would like to stress that it is not the departmental statutes which set the climate in the work of the Soviets, although they do in some measure create the mechanism for realization of the expanded rights. The main thing is the resolution of 25 July 1986 itself, as well as the subsequent resolutions of the CPSU Central Committee and USSR Council of Ministers dated 17 July 1987. These deal with questions of radical reform in economic management, in which the rights of the local organs of authority are additionally expanded. First of all, we should list here the resolution "On Improving the Activity of the Republic Organs of Administration" and "On Reorganizing the Financial Mechanism and Increasing the Role of the USSR Minister of Finance Under New Conditions of Economic Management."

In accordance with these and other similar acts, provisions have been made to see that the executive organs of the Soviets work out integrated plans for the economic and social development of the union and autonomous republics, krais, oblasts, and major cities. These plans must take into consideration the capacities of all the enterprises and organizations located here, regardless of their departmental affiliation.

It is important that a direct dependence is established between the budgets of the local Soviets and the results of economic management activity of these enterprises and organizations. The formulation of budgets of the union and autonomous republics, krais, oblasts and major cities will be implemented according to stable standards of deductions from their profits, as well as deductions from the payments for labor and natural resources, and part of the all-state income and taxes. The executive organs of the Soviets henceforth can and must independently determine the sum of the budget funds directed toward the development of the social sphere and other needs.

The last word today belongs to the local organs of authority also in the matter of environmental protection activity. The legal standards provided by the resolution of 25 July 1986 on the matter of environmental protection were significantly expanded by the resolution of the CPSU Central Committee and the USSR Council of Ministers dated 7 January 1988, "On a Radical Reorganization in the Matter of Environmental Protection in the Country."

As for the normative acts adopted by the USSR central ministries and departments in fulfillment of the resolution of 25 July 1986, I would like to note first of all that they are related to the work of the Soviets in terms of coordinating the work of the enterprises and planning.

We have already mentioned the point in the second resolution which speaks of the need for increasing the coordinative role of the organs of authority in solving integrated economic and social problems in the territories under their jurisdiction. The Soviets are given the

right to organize the implementation of joint measures by associations, enterprises and organizations for the rationalization and increased effectiveness of economic management. In order to give them some material incentive in this work, provision has been made to place at their disposal part of the funds which have been saved.

On 19 December 1986, the USSR Minfin [Ministry of Finance], USSR Gosplan [State Planning Committee] and USSR Gosstroy [State Committee on Construction Affairs] approved the order of determining the indicated economy of funds and their application. This normative document provides that the Soviets work out specific measures for solving integrated economic and social problems on the territory under their jurisdiction in conjunction with the interested associations, enterprises and organizations, regardless of their departmental affiliation. The decision on the implementation of such measures is formulated by an agreement (contract) and signed by all the parties. This agreement (contract) defines the anticipated economic effect, which may be considered in the form of reducing the production outlays, or obtaining additional income and savings. The times for implementation of the measures, expenditures of the participants and amounts of funds handed over to the local Soviets are also defined. These funds must be utilized in the order established by legislation for the expenditure of supplementally obtained income in fulfillment of the budget. The introduction of contractual relations into the practical application of work of the Soviets with the enterprises is something new. However, it is organically written into the economic mechanism which is being created, and the sooner the workers of the Soviet executive organs master the practice of contractual relations and get used to not only demanding from others, but themselves fulfilling the responsibilities agreed upon in the contract, the more the common cause of increasing the effectiveness of social production will benefit.

In March of 1987 the USSR Gosplan, with the agreement of the USSR Goskomtrud [State Committee on Labor Affairs] approved the order of developing free territorial balances of labor resources and work sites. This document also defined the order of coordinating the number of workers by the enterprises with the ispolkoms of the appropriate Soviets. In May of the current year there were certain clarifications introduced into this order. These stemmed from the Law on the State Enterprise and from the practice of compiling territorial balances accumulated in preparing the plan for 1988.

At the present time the USSR Gosplan is completing the preparation of new "Methodological Recommendations for Compiling Plans for USSR Economic and Social Development." On the whole this document is important for the preparation of the next five-year plan. It provides for special subsections on questions of the



methodology of working out plans for the integrated development of the union republics, individual regions, autonomous republics, krays and oblasts.

We might add also that resolution No 1389 of the USSR Council of Ministers dated 7 December 1987 defined the functions, rights and responsibilities of the kray and oblast planning organs. This same resolution gave the union republic gosplans methodological management over the corresponding plan subdivisions of the ispolkoms of kray and oblast Soviets.

The new structure of the RSFSR Gosplan already provides for a section on the placement of productive forces and methodology of work of the Main Planning-Economic Administrations of the kray(obl)ispolkoms.

[Question] Paragraph 7 of the resolution states that enterprises and organizations which are under the jurisdiction of higher organs must necessarily coordinate the appropriate indicators for plan projects with the ispolkoms of the local Soviets. However, certain Soviet workers say that this procedure is at present such that the coordination is merely a formality. What is the matter here? Are there any plans to improve this procedure?

[Answer] Using the mechanism of coordinating plan outlines, the Soviet may successfully coordinate the activity of the enterprises in resolving questions of vital importance to the region. Therefore, it is no accident that Article 10 of the USSR Law on the State Enterprise confirms the need for mandatory fulfillment of this procedure. The indicators for development of the social sphere, consumer services, production of consumer goods, construction, number of workers, application of labor resources, environmental protection, and application of land, water and forest resources must all be coordinated with the appropriate ispolkom. Before, prior to and including this year, the specific list of such indicators was determined by the USSR Gosplan. Now, beginning with the development of plan outlines for 1989, this will be done with consideration for local specifics by the gosplans of the union (without oblast division) and autonomous republics, the Main Planning-Economic Administrations of the ispolkoms of kray and oblast Soviets, or their planning commissions. As we can see, here too the role of the local organs of authority is increasing.

As for the procedure of coordination in the specific ispolkom—its nature, whether bureaucratic or democratic, formal or not—depends, as experience shows us, on the economic training of representatives of both sides, and primarily the training of the workers of the executive and planning organs of the Soviets. If they present substantiated demands and reliably substantiate their position with economic calculations, instead of simply pushing in a volitional press, as they have become accustomed to doing in some places, then it will be easier for them to find a common language with the economic managers.

Moreover, it is quite clear that the executive organs must increase the level of organizational work directly within the labor collectives themselves.

[Question] In accordance with the resolutions of the June (1987) Plenum of the CPSU Central Committee, new structural subdivisions are being created in the ispolkoms of the oblast and kray Soviets. These are Main Planning-Economic Administrations. Please comment on this act.

[Answer] In the restructuring of the organizational structures performed in accordance with the decisions of the June Plenum, important significance belongs to the formulation of administrative organs called upon to ensure the integrated social and productive development of the regions, as well as the unity of the territorial and sectorial interests on the basis of interaction with enterprises of various sectors, with all-state interests having unquestionable priority. The Main Planning-Economic Administrations have been called upon to become such organs at the kray and oblast levels. They will be the key subdivisions of the kray and oblast Soviet executive committees which will perform the largest portion of the work on ensuring the proportional and integrated development of the regions.

[Question] Aleksandr Lvovich, in the documents of the June Plenum the new subdivisions of the kray(obl)ispolkoms are initially called Main Production-Economic Administrations. Yet today, in their final variant, they have become Main Planning-Economic Administrations. What stands behind this clarification?

[Answer] As I have already said, the new subdivisions are created in the course of reorganization of the existing structures of management, which is necessary in connection with the economic reform and with the increased role of the local organs of authority. It is a well-known fact that the administrative apparatus on the whole must be reduced. However, proceeding from the former clichés and notions about the forms and methods of economic management, in some places they have incorrectly understood the goal and tasks of formulating the new structural subdivisions of the ispolkoms. In a number of krays and oblasts they have begun developing projects for the creation of a sort of "mini-sovnarkhoz" [national economic council] with an extensive apparatus which, according to the notions of the authors of these schemes, must act according to the old directive-volitional, administrative-order method. Of course, we could not agree with such views and practices.

The GlavPEU [Main Planning-Economic Administration], being a structural subdivision of the ispolkoms, carries out the will of the Soviets of People's Deputies in solving the problems of development on its territory. It is concerned primarily with the solution of social problems and the implementation of measures for meeting the needs of the people for various consumer goods and paid

services. In their work, they must use primarily economic methods and levers, account balances, stable economic standards, planning and other means of coordinating the activity of enterprises and organizations, regardless of their subordination, achieving a balance of economic and social development in the region. Planning must be one of their main functions. In order to underscore the specific importance of just this direction in the work of the new formations of the kray(obl)ispolkoms, the decision was made to introduce the clarification into the name which was initially given to them.

[Question] What is being done to better merge the sectorial and territorial principles in developing and implementing plans for economic and social development of the regions?

[Answer] The expansion of the rights of local administrative organs and the improvement in the structure and forms of management is performed at the same time with a change in the role of the central (all-union) administrative organs in planning the development of individual regions. The central organs will work out a relatively small number of basic indicators for the development of the union republics within the make-up of the long-term and five-year plans for USSR economic and social development. The republic and local organs, however, are changing over to the independent development of integrated plans for economic and social development of the union and autonomous republics, krays, oblasts and major cities. These plans must also cover all enterprises, associations and organizations located on the corresponding territory. Beginning in 1988, the plans for USSR economic and social development inform the union republic Councils of Ministers of the centrally allocated material resources, limits on capital investments and construction-installation work for the needs of the republic's economy, without breakdown by sectors and directions.

Now the central organs will give greater attention to the preparation of pre-plan documents. They will formulate target programs for the development of individual large regions and work out a general scheme for the development and location of USSR productive forces and schemes for location of sectors. Meanwhile, analogous territorial schemes must be developed by the regional planning organs with the participation of the republic scientific organizations.

The preliminary plan documents are the primary scientifically substantiated basis for the preparation of the Basic Directions for economic and social development of the country for a 15-year period and the outlines for the five-year plans for USSR economic and social development, as well as the integrated five-year plans for economic and social development of the union and autonomous republics, krays, oblasts and major cities.

In speaking of ensuring the integrated nature of regional development, we must also remember that in implementing the radical reform of economic management, the basis taken for the creation of the new economic management mechanism have been the principles which in themselves are called upon to guarantee the optimal nature of solving the questions of integrated development of the individual regions. After all, in the first place the rights of the territorial administrative organs are being expanded in the development of the economy and the social sphere, as well as in the formulation and application of the funds from the local budgets. Secondly, with the transition of the sectorial enterprises to the principles of full cost accounting and self financing, they receive extensive rights in utilizing their own funds for the development of the social sphere and other local needs. Now they have the capacity of themselves developing prospects for their productive and social development, but, we must stress, with consideration for the plans for integrated development of the region, rayon, or city on whose territory they are located. Thirdly, the interaction of the territorial administrative organs and the sectorial enterprises is strengthened, and their mutual responsibility for solving local problems is increased. Finally, the entire system of management is democratized and openness is expanded. Management itself it changed over to new, primarily economic, methods, and the structures and forms of management are improved.

We must also stress that under the new conditions of economic management the enterprises implement their social policy in close interaction with the local Soviet of People's Deputies. In their joint work they seek out and utilize the reserves for accelerating development and increasing the effectiveness of production.

The USSR Law on the State Enterprise (Association) has determined that the enterprise must use its own funds to build houses, children's institutions, sanatoriums and preventative health treatment facilities, holiday hotels, houses of culture, tourist and sports facilities, and other objects of social function for its workers. It must actively promote the effective work of schools, educational and health treatment institutions, and may finance appropriate measures at its own expense. All this indicates that the center of gravity in managing the integrated development of territories is shifted over to the level of the local Soviets, enterprises and associations.

[Question] Starting with this year, a payment for labor resources will be introduced for enterprises and organizations. Part of this payment must be handed over for direct use by the local Soviets. Why is this payment not the same everywhere?

[Answer] The introduction of a payment for labor resources is the first step on the road to economic methods of regulating the level of employment in social

production. This payment must stimulate the more rational application of the work force and intensify the interest of the enterprises in introducing labor-saving equipment and technology.

In connection with the territorial differences in the conditions of reproduction of labor resources, the difference in the territorial labor balances and the need for a differentiated approach to the stimulation of labor conservation, the amount of payment differs in different regions of the country. It is set at a higher rate in those rayons where there is a shortage of workers, and at a lower rate in rayons with an excess number of workers. Personally, I believe that we should allow the union republic Councils of Ministers to themselves define the standards of payment with consideration for the specific peculiarities of the region and the economic activity within the limits of the overall sum of budget revenues for labor resources.

[Question] Cost accounting, self-financing, self-recovery. Today these are probably the most popular words in the lexicon of the economic managers. Life persistently insists that they be mastered even by the Soviet workers, who must also change over from the customary administrative methods of management to primarily economic ones. How successful, in your opinion, is this process?

[Answer] In accordance with the decisions of the June (1987) Plenum of the CPSU Central Committee, practical work is being performed in the country on the reorganization of the economic management mechanism and the creation of an integral system of managing the economy. In industry, enterprises producing over 60 percent of the products have changed over to full cost accounting and self-financing in 1988. About half of the volume of contract construction-installation work is performed by construction organizations which have changed over to the new conditions.

The principles of cost accounting relations are also being introduced into the regional economy. This is, first of all, because enterprises of republic and local subordination are also changing over to full cost accounting and self-financing along with the enterprises of union subordination. Secondly, in accordance with the decisions of the party and the government regarding the radical reorganization of economic management, the 13th Five-Year Plan provides that all the regions of the country shall be changed over to self-financing. For these purposes, an experiment on developing a mechanism for formulating the republic and local budgets on the basis of stable economic standards will be conducted in 1989 in two or three union republics and several oblasts and major cities. In practical application, the introduction of the principles of territorial self-financing makes it possible to establish a direct dependence of the income of local budgets and amounts of other territorial finances on the results and effectiveness of development of the economic complex in the appropriate territories.

The executive organs of the Soviets, along with the collectives of the enterprises located on the given territory, also have increased responsibility for the development and operation of the facilities of the regional production and social infrastructure, and for the implementation of social programs in the region. Here, whether we like it or not, we must understand the meaning of cost accounting and self-financing. However, the process of transition from administrative-directive to economic methods of management is far from easy for everyone. It is easier to command and to obligate. To figure, substantiate, and convince with results is more difficult. However, there is nowhere to hide—today we must master just this science, or find ourselves at the tail end of events.

[Question] The resolution of 25 July 1986 provides for experiments to be conducted in different regions of the country. What is the fate of these experiments?

[Answer] First of all, let us remember that experiments of two types were planned. In a number of RSFSR cities and in the Latvian SSR (paragraph 22 of the resolution), withholdings were to be introduced into the local budget from enterprises and associations by the standards and in accordance with the number of workers. However, the rapid course of perestroika introduced some corrections. After all, according to the USSR Law on the State Enterprise (Article 17, Paragraph 3), as well as the resolutions on radical economic reform, effective in 1988, as we have already said, a labor resources payment will be introduced for all enterprises. Thus, the experiment has lost its meaning.

In Latvia, we must say, a payment was specified according to the standards not for the overall number of workers, but for their increase due to the creation of new jobs. This is being implemented. We might add that this is being done not only in the Latvian SSR, as provided in the resolution, but also in Kazan (RSFSR), and in the city of Beltsy (Moldavian SSR). I believe that this experience may prove useful as the regions change over to the principles of territorial self-financing.

As for the experiment on the new order in planning and financing the construction of housing and municipal and cultural-domestic facilities in the Vladimir and Kuybyshev oblasts and in the Estonian SSR, we must note weak progress in this matter.

The order of conducting the experiment in Kuybyshev and Vladimir oblasts was approved by the resolution of the RSFSR Council of Ministers dated 3 April 1987, and thus the normative-legal foundation was laid for starting the experiment in 1988. The year began, but we are not sure that the experiment in Vladimir and Kuybyshev is being conducted in the necessary scope.

On 22 May 1987 the Estonian SSR Council of Ministers adopted a resolution on the order of conducting this experiment. This resolution specified that in 1988-1989



the development of its basic principles will begin in the individual cities and rayons so that in the 13th Five-Year Plan the new order of planning and financing construction may be tested in the republic as a whole. We will hope that no breakdown occurs here.

[Question] According to the resolution, the Soviet has the right to set tasks for enterprises and organizations on the production of consumer goods and paid consumer services rendered to the public. However, isn't this undermined by the Law on the State Enterprise? The workers of some ispolkoms have encountered the situation where, referring to the new law, the managers of some enterprises refuse to accept these task assignments.

[Answer] Managers of enterprises, regardless of their description, do not have the right to refuse to produce consumer goods or render paid services to the public, since, in accordance with Article 1 (Paragraph 2) of the USSR Law on the State Enterprise, this is one of their primary tasks. In turn, the planning subdivisions of the Soviets must develop outlines of plans for the production of consumer goods and for rendering paid services to the public as the most important part of the integrated plans for economic and social development of the kray or oblast. Anyone who has any doubt about this can refer to the resolution of the USSR Council of Ministers No 1389, dated 7 December 1987.

The indicators of these plan outlines must be coordinated with the enterprises in the order specified in Article 10 (Paragraph 6) of the Law on the State Enterprise. These indicators are based (for consumer goods) on the results of wholesale trade fairs and contract agreements with trade organizations. As for paid services, the demand for them as well as the real capacities of the enterprises must be taken into consideration in determining their volumes. The given indicators of plan outlines serve as unique control figures for the enterprises, and are used for orientation in developing their own plans.

Moreover, according to Article 9 (Paragraph 5) of the same law, the enterprise performs volumes of work or services which are not provided in the plan, and does so in accordance with the decisions of the Soviets and on the basis of economic agreements for compensation of expenditures. These may be agreements with the trade organization for the production of consumer goods, or agreements to render paid services to workers or to a neighboring enterprise or organization. However, before such a task assignment is set, the production capacities of the enterprise must be considered and the sources of material-technical provision must be defined.

[Question] The resolution has given the Soviets the right to submit orders for non-standardized equipment and means of mechanization to the enterprises. However, doesn't the right of the Soviet enter into contradiction here with the Law on the State Enterprise?

[Answer] No, it does not. However, the form in which these orders are submitted to the enterprises and organizations should be changed somewhat. According to Article 9 (Paragraph 5) of the Law, the Soviets of People's Deputies have the right to set task assignments for the scientific-research, planning and design organizations located on their territory, regardless of their departmental affiliation. These tasks must correspond to the description of these organizations. They must be aimed at the fulfillment of scientific-research, planning-survey and design work for the solution of local problems and must be based on economic agreements. The Soviets may also set task assignments for the associations, enterprises and organizations on the output of non-standardized equipment and means of mechanization to meet the needs of the local economy. These tasks would be set with consideration for the availability of production capacities and would be based on economic agreements. We must note that the indicated tasks have great significance for cities and regions.

However, it would be expedient to introduce several changes into the wording of Paragraph 5 of the resolution on Soviets. The proposals on this matter have been forwarded to the Commission for clarification of the existing legislation.

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12322

#### **Bunich Clarifies Self-Financing, Self-Recoument Concepts**

18200223a Moscow

MATERIALNG-TEKHNICHESKOYE

SNABZHENIYE in Russian No 4, Apr 88 pp 20-25

[Article by Pavel Grigoryevich Bunich: "Self-Financing of the Principal Economic Element: Essence, Problems, Trends"]

[Text] Request by V. Markelov (city of Bugulma). I consider the publication in the journal of materials explaining the basic principles carried out in the economic reform to be very interesting. It must be confessed that by no means do all of the specialists or even the leaders possess a good understanding of the new economic categories. Thus such articles are proving to be of great assistance to us. For example, we are deriving a great amount of information from articles in which cost accounting and the principal economic terms are being discussed.

Recently, during one of our seminars, a dispute arose concerning the concepts of "self-financing" and "self-recoument." Some maintain that they are one and the same. Others claim that the former has nothing in common with the latter. Finally, a third group is of the



opinion that self-financing supplements self-recoupment. Thus, we have been unable to reach a unanimous opinion. Is it not possible to ask a scientist to clarify this problem?

Response by P. Bunich. The process of converting enterprises (associations) over to self-financing is nearing completion throughout the country.

As is known, in addition to "self-financing," use is also being made of the term "self-recoupment." The latter is often placed in the same category with self-financing and is identified with it. However, it is believed that the category of self-recoupment has an independent meaning. Self-recoupment assumes that the expenses borne by enterprises are to be reimbursed. For example, if the norm for the effectiveness of capital investments is 15 percent of the annual profit, then these investments must be repaid within 6.6 years, if 12 percent—within 8.3 years. Self-recoupment which is realized through profit internally includes normalization of the amortization amounts and expenditures for raw materials, other materials and wages. If these values are inflated, then their resulting profit is lowered and self-recoupment is not completed within the normative periods. On the other hand, if the production costs turn out to be lower than the socially needed costs, then self-recoupment is accelerated and excess profit is realized.

But self-recoupment through the observance of (or acceleration in) the normative periods for output does not signify that the profit obtained on its basis is assigned to the collectives and thus relatively closed and subsequent turnovers in this income occur in these same cost accounting cells. Self-recoupment does not exclude the placement of "self-recouping" profit in the budget as payments of new budgetary funds for the collectives. When necessary, the state can increase (decrease) the resources of enterprises that were used in a self-recoupment regime, through an additional allocation (withdrawal) of centralized sources. Self-recoupment is permissible in connection with the withdrawal of amortization for the centralized funds. It is possible through budgetary injections into the working capital.

Self-financing is still another matter entirely. Its essence lies not only in the self-recoupment of expenditures but also in assigning the profit obtained (less payments in behalf of society) to enterprises. Self-financing implies that the expenses of enterprises are paid for out of their "own resources" and that the income from the sale of surplus fixed capital and earnings from the sale of used property are assigned to the collectives in the same manner as profit. Thus self-recoupment is an aspect of self-financing and it represents a necessary but inadequate condition. Self-financing can be considered as the next and higher cost accounting step compared to self-recoupment.

Another situation prevails in the sphere of personal consumption. Here income is spent irretrievably and there is no profit. For a new consumption cycle, completely new income must be earned. Here there is no similarity between self-financing and self-recoupment.

A question also arises regarding the relationship between self-financing and cost accounting. It is believed that the concept of cost accounting is more broad and that it includes, in addition to self-financing, the relative independence of collectives, implicating the masses in administering the economy right up to converting over to self-government, the creation of organizational structures for all aspects of cost accounting operations and its legal prerequisites (rights of a legal entity, contractual responsibility and so forth).

A conversion over to self-financing places on the agenda a number of new questions which arise based upon today's initial stage and the irreversible laws associated with its development, consolidation and dissemination.

Self-financing "cannot endure" the restricted rights of collectives, which through no fault of their own bring about a deterioration in the final results achieved. Such rights paralyze initiative and lower responsibility. A socialist society possesses the possibility of achieving a rational combination of rights and obligations, independence and centralization and democracy and leading principles in the economy. It is based upon an extensive conversion over to economic administrative methods, within the framework of which the normative methods undergo special development.

When the state finds it necessary to develop production operations which are unprofitable for the collectives, it can make use of state orders that augment the force of a command in the form of a profitable contract. The responsibility for the carrying out of such orders supports the importance being attached to the present responsibility for the fulfillment of plans. Enterprises are authorized to refuse to accept them and to decline instructions from the center. But in the interest of observing the principle of complete responsibility of collectives, the center, simultaneously with the commands, presents the collectives with profitable tasks and various privileges (amortization, credit, supply, price, tax and customs and when necessary it issues subsidies in accordance with the conditions for obtaining currency, forming wage funds and issuing incentives and bonuses).

On the other hand, centralized decisions can make it possible for individual collectives to obtain excess profit. Since this profit was not conditioned by their personal labor contribution, it must be used for the benefit of society, since it developed and handed down the more profitable decisions. Included among the forms for withdrawing such income are fixed payments, raised tax rates, lower prices for producers (with normal prices for consumers) and others.

Special importance is attached to ensuring a centralized influence on investments, not post-facto during the stage in which a collective's draft plan has already been developed, but rather prior to this stage and based upon the national economic computations which preceded it, while providing the collectives with timely directions for investing their resources in large-scale projects. During this same pre-planning stage for enterprises, special privileges should ideally be introduced in certain instances or withdrawals planned.

Self-financing is only carried out prior to the end, when it leaves no openings for the development of unearned income. Strictly speaking, half-way self-financing is generally not considered to be self-financing but at best merely at step in that direction. At the present time, the principles of self-financing are being realized most consistently by USSR Minkhimmash [Ministry of Chemical and Petroleum Machine Building].

Here, the higher the profitability, the greater the amount of profit that remains for a collective for a given tax rate, profit which is turned over to the reserves as "surplus" and which is spent for paying off earlier loans or for accelerating the collective's development. Conversely, when the profitability is low funds are withdrawn from the reserves and new loans are taken out.

Use is being made of another system for interrelationships with the budget. In accordance with this system, those resources which must remain in the various areas are determined initially from above, while the budget receives a so-called net surplus of profit or a somewhat modernized expression of it—individual proportion from the profit. The old practice of centralized budgetary support and wage levelling for both good and poorly operating collectives is concealed behind external self-financing.

The wages at all self-financing enterprises and branches are defined as the total amount of the basic fund and its increase through growth in the normative net output. But in many instances the basic fund exceeds the socially needed amount. It is computed based upon low output norms, an increased number of workers, an inadequate output volume and which at times is of low quality and an obsolete assortment. The reproduction of such a fund truly raises the earned wages and goes beyond self-financing. Its existence conforms to the centralized plan and its fundamental principle involves regulating the personal income from the overall budgetary resources and not the individual cost accounting results. This is camouflaged by the fact that the "expenditure" prices include the inflated wage funds.

Since 1987, the wage funds in the petrochemical and light industries have been formed by means of the normative distribution of the net actual output for the

wage funds and profit (initially, budgetary payments will be deducted from this output, the collection of which is possible prior to the profit being revealed, for example, a payment into the funds).

If the norms for the formation of the wage fund are computed based upon its proportion of the net output obtained in the past, they will not eliminate subjectivism in the existing wages. Unified branch (sub-branch) normatives would be more correct. However, the formation of wage funds for specific enterprises with their differing needs, in accordance with unified normatives, does not always produce optimum values. The best method for revealing wage amounts—the optimization method—maximizing the consumption of collectives in a calculation for an extended period into the future. This is possible only with the aid of considerable investments, which an enterprise must provide for by allocating a sufficient portion of the value of its net output and avoiding a distortion in its distribution in favor of current consumption.

In order to ensure that the wage fund does not go beyond the socially justified limits, a moderate progressive tax should ideally be imposed upon the amount by which it exceeds the tariff (salary) amount. An opposite or anti-stimulating effect may occur if the progression is too steep. Even worse would be the imposition of a tax upon amounts in excess of the normative wage level. This would enable collectives to hire an excessive amount of low-skill and low-pay workers in order to lower the average taxable wage. As a result, the income of society would decline and the enterprise would be able to operate with more personnel and less tension. For the social correction of especially high earnings of certain individuals, use should be made of a tax on those individual incomes which exceed the untaxed minimum.

In principle, self-financing assumes the retention by collectives of an amortization fund. Indeed, if the task involves the self-financing of expanded reproduction, then internally it includes a component part of the financing of simple reproduction and this is mainly achieved through reinvestment of the amortization fund. However, since up until now this fund was not assigned entirely to the enterprises, current amortization at old enterprises with worn out production systems is inadequate for future reproduction. This problem should not be corrected by means of credit, since a source for the return of such credit is lacking. One solution remains—to return to the collectives the amortization amounts withheld from the resources of society and the centralized funds of the ministries. If use is to be made for this purpose of the free amortization of new enterprises, then in the future it will have to be returned to them. And the redistribution process will never end.

The conversion over to the formation of incentive and wage funds through direct withholdings from net output and complete self-financing require a new attitude towards the reserve funds of the principal economic

element. Within the framework of an objective irregularity in the formation of income and expenditures, the reserves (created during a period in which results exceeded the expenditures) withstand a temporary excess of expenditures over results. This will enable the collectives to boldly accept temporary and minor deviations from growth in effectiveness, such that they will later be able to realize greater gains and obtain larger results over an extended number of years than they would from annual humble growth compared to the "base." Here we have in mind compensation for high expenditures for the initial mastering of a new or improved product, for mastering new fixed capital and technologies or for both taken together (in many instances, they are mutually related), reimbursement for a reduction in profitability when the market is saturated with especially fashionable goods and reduced prices for them and the sale of goods having production shortcomings and with deviations from the orders in terms of assortment.

The effectiveness of self-financing is raised when the possibility exists of including partners in the distribution of income—suppliers, allied workers, contractors, transport workers, power engineering workers, providers, trade organizations, scientific research institutes and design bureaus. Collectives which have converted over to complete cost accounting can turn over to them a portion of their own incentive funds.

A promising solution for this problem lies in the introduction of prices for accounts with partners which will provide them with the desired effect. This method for distributing results will become the dominant one when price formation is finally oriented more towards the consumption parameters of output.

Fairness and the earning of funds for self-financing are dependent not only upon a correct determination of material expenditures, production costs on the whole and profit, but also upon the soundness of the prices at which the products created will be released. In short, these prices are determined to a large extent by the production costs. The existing wholesale prices are mainly of an "expenditure" nature. With a concentration in the production of a particular product at one enterprise, they gravitate towards individual expenses and in the production of similar products by a number of enterprises—towards average expenses. In such instances, the higher the expenditures (and the profit realized from them), the larger the prices. If the expenditures are low (accordingly, the profit will be low), the prices decline. Such prices respond not to what a consumer thinks about a product, but to how it appears to the producer.

When there is a drop in the specific expenses, growth in the monetary "expenditure" evaluation lags behind an increase in the consumer effect and the real "physical" increases in production and national income turn out to be higher than the value increases. Conversely, when

there is an increase in expenditures per unit of usefulness, an increase in the monetary evaluation tends to embellish the dynamics of effectiveness. Since the "expenditure" approach favors growth in the prices or at least it delays a reduction in them, it use will decrease the "atomic weight" of the monetary indicators for economic development. Thus, according to estimates, the specific production capabilities introduced into operations increased the prices by 5-7 percent annually.

The use of "expenditures" prices creates the appearance of self-financing for collectives which are not operating sufficiently effectively and it minimizes the true scale of low profitability and unprofitable production, which is truly quite considerable owing to the large number of enterprises which do not operate on the basis of average expenses. At the same time, "expenditure" prices deform in the worst sense the indicators for self-financing of leading collectives which are operating in a thrifty and efficient manner and which are producing high quality products, the raised indicators of which are not being accompanied by advantageous prices and as a result the increasing efforts of enterprises are not being rewarded. If collectives have achieved acceptable characteristics of effectiveness, then the "expenditure prices" enable them to artificially reproduce and multiply. In the absence of a reform in price formation, the mechanism of self-financing will reveal inaccurate results.

Just as soon as self-financing encompasses not individual enterprises but entire branches, it will immediately be revealed that the enterprises belonging to them will have great differences in income per worker and that these differences will be conditioned by the objective peculiarities of production development in the past.

Enterprises with low incomes require subsidies for a period of time, subsidies which will decrease from year to year. If they save a portion of the funds allocated, then these amounts are available for stimulation and conversely, if an overexpenditure occurs, they must cover it at their own expense. A considerable number of the sufficiently profitable enterprises enjoy the same relative income level and yet a substantial portion of these enterprises have an extremely high profitability. In the case of enterprises having especially high profitabilities, either raised taxes should be introduced on a temporary basis or fixed payments in the form of a unified payment should be made by them to their ministry.

In order to ensure that the indicators for self-financing are not improved by a monopolistic status for the producer-enterprises and that economic life does not permit one to be satisfied with the results already achieved, but rather there is an urge to constantly move forward, a radical change is needed in the system of economic socialist competition. Its action in its present form is not mobilizing the principal potential for raising efficiency that is embodied in this most powerful factor for acceleration. The development of competition can ensure the purposeful creation of several enterprises for



satisfying a particular requirement, the free selection by collectives of their partners during the stage of pre-planning computations, wholesale trade in the means of production, competitive presentation of state orders and a competitive selection of plans for new equipment, technology and construction projects. The centralized balances must be converted over from a quantitative balance to a quality-quantity balance and the best products must be included in the plans and the worst ones eliminated. Monopolistic trends in science aimed at searching for new paths for development are especially unacceptable. A chief consideration for competitiveness consists of creating a mechanism for interest on the part of each customer in acquiring the best and cheapest products within the best timeframes (and the system of self-financing is directed towards achieving this goal).

Anti-monopolism in socialist competition is also manifested in the absence of commercial secrets and in a general openness and accessibility of leading experience. Quite often it is made available free of charge. When initial experience requires large expenditures, then its further circulation should ideally be carried out for a payment which in essence would signify partial participation by the follow-up enterprises in covering a portion of the expenses of the pioneer-enterprise. Experience has shown that quite often the repetition of somebody else's experience requires a great amount of preparatory work. Under these conditions, special introductory organizations could prove to be useful. Such organizations, operating on a contractual basis, would make available technologies and forms for organizing and controlling production, training personnel and so forth.

Self-financing requires new relationships between the enterprises and banks. The interest rates for loans must be increased to the level derived from the planned proportions between the loan fund and the demand of a firm. In the event of growth in the credit fund, the interest rate may fall. When production efficiency increases, the interest rate conversely should conversely rise. Interest policy must be flexible and not be restrained by stern circulars and patterns. If the task of obtaining a low interest rate can at first be covered by an explosive growth in effectiveness subsequently, then such a measure is fully justified. If credit investments in certain spheres should be restrained, then one of the best means for doing this is that of issuing them at a high rate of interest.

Banks issue loans when there is a shortage of funds for production development and also funds for socio-cultural measures and housing construction. At the same time, they do not issue credit for shortages in wage funds. Meanwhile, if the future income of enterprises guarantees the return of loans, they can with an equal basis be presented for equipment, construction materials, means of production, for wages and in the final analysis for consumer goods. It is maintained quite fairly that the commodity covering of wages is limited and critical. But equally critical is the logistical support in the form of

loans for development. This must restrain the presentation of all types of credit and lead to an expansion in their various types as the deficit is overcome.

Credits for wages are proper if a temporary shortage in the wages is not compensated for by reserves. But neither reserves nor credits should be employed for improving the wages (excluding the guaranteed minimum as a portion of the principal earnings) and bonuses of workers and collectives which are functioning ineffectively and unproductively. Here a reduction in an award derives from an inadequate amount and unsatisfactory quality of their work. In these instances, even a raised penalty and not a linear reduction in personal income is justified.

Socialist society does not view self-financing as the only form for production management. For a number of spheres and measures, the form of irreversible budgetary financing continues to be the best form. The budget is used for financing basic scientific studies, the more revolutionary technical and technological innovations, which are accompanied by raised expenditures and a high degree of vague results, the pioneer development of new territories, measures for the introduction of equipment which raises the creative nature of labor, improvements in equipment safety, environmental protection, priority developments in the area of NTP [scientific and technical progress], an expansion in exports when the economic indicators are not sufficiently high, public consumption funds at all levels of management, the search for and initial prospecting for minerals and functioning of the sphere for administering society—at the national, inter-branch, branch and regional levels.

The formation of self-financing relationships are presently in a very early stage. Further steps aimed at strengthening them will undoubtedly advance new problems which will require solutions. But it appears that the results will surpass the expenditures. Thus the difficulties concerned with converting over to self-financing must not eliminate the work aimed at these promising trends for improving the economic mechanism, but rather all efforts should be mobilized towards achieving new and bold solutions.

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**Course of Restructuring, Obstacles Discussed**

18200210a Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 5, May 88 (signed to press 1 Apr 88) pp 3-28

[Article by G. Ya. Rakitskaya, candidate of economic sciences, and B. V. Rakitskiy, doctor of economic sciences (Moscow): "Reflections on Restructuring as a Social Revolution"]

[Text] The task of this article is to interpret the logic of restructuring as it has developed during 1985-1987 and to evaluate the actions of the main social forces.

**Key Slogans and Strategic Goals**

Beginning in April 1985, the party has proposed several key slogans that reflect the main tasks of the day. And each subsequent one has not crowded out but has augmented the preceding ones. These are "Acceleration," "Restructuring," "Democratization."

The call for a celebration as the formula for the party policy rang out at the April (1985) Plenum of the CPSU Central Committee. Here it was initially interpreted mainly as increasing and accelerating the rates of economic development and it reflected purely economic tasks. Gradually the focuses became mixed and acceleration no longer amounts simply to growth rates; it is regarded as the task of more rapid advancement toward a new qualitative condition for the society. The appeals for acceleration reflected the understanding of the difficulties and ways of overcoming them that existed before the in-depth analysis of the fundamental reasons for the stagnation in the economy and the society.

By the middle of 1986 we had recognized the inadequacy of the slogan "Acceleration." The slogan "Restructuring" became the key one.

Bringing to the center of attention the task of restructuring, that is, a radical renewal of the society, was of principal significance. But at first the slogan of restructuring turned out to be inadequate in content. People did not understand what it was about and could not explain the volume and nature of the necessary changes.

"Sometimes people ask," said M. S. Gorbachev in July 1986, "well, what is this wise business—restructuring? How does one understand it? 'What do you eat it with,' this restructuring? You know we are all 'for' it, but we do not know what to do. Many people state this directly.

"We in the Central Committee and the Politburo think that restructuring and all the work for restructuring should begin with each person individually, with a determination of his civic position, with an activation of his political and labor activity, with a strengthening of his responsibility for the matter entrusted to him and for final results....

"But restructuring does not pertain to this aspect alone. It presupposes the creation of an atmosphere in the society which would motivate people to overcome the inertia and indifference that have accumulated and in their work and life rid themselves of everything that does not correspond to the principles of socialism, to our world view and way of life.... But in this case everyone must first of all look at himself...."<sup>1</sup>

Since the autumn of 1986 there has been a gradual disclosure of the content of the slogan of restructuring. Its real features are openness, new economic methods of management, and elections of managers. Changes in the electoral system and the Law on the State Enterprise will figure in the future.

The most essential of these features is openness. The press is reporting a multitude of facts that were not reported before but is avoiding an in-depth analysis and discussion of the causes that generated them. The new methods of management with which they had been experimenting since 1984 have proved their groundlessness in practice. Elections of managers have not aroused any special enthusiasm either. To the honor of many labor collectives it should be noted that they attached special significance not to the possibility of secretly expressing their opinions about the manager and thus putting pressure on him or frightening him for the future, but the possibility of discussing the content of the program of actions and the strategy of organization and selecting the best variant. That is, the masses quickly entered on the path of the ideas of competitiveness and not primitively understood democracy.

We will not be likely to make a big mistake if we say that 1986 did not produce serious changes for us that are adequate to the slogan of restructuring. It, like the appeal for acceleration, turned out to be extremely cloudy initially. Therefore there was no real activation of the labor collectives.

The understanding of the tasks facing us became much deeper when in the autumn of 1986 the restructuring was characterized as a "Revolution," and in January 1987 the slogan "Democratization" advanced. The political level of these characterizations of restructuring gave an answer to the question of the depths and direction of the transformations.

True, the practical actions continued to lag behind the slogans that are proclaimed. Thus there have been congresses of trade unions in the Komsomol—the largest scale public organizations. Their image has remained

principally unchanged and no real steps have been taken toward democracy although attempts to step up the work with youth are being observed. Still the decisions that have been adopted do not give reason to hope for serious changes in the style and methods of the work of trade unions in the Komsomol. The more so since their staffs were formed according to the previous principles.

Many place serious hopes in the promised change in the electoral system. But the introduction of elections instead of voting actually was put off until the future. People were uncertain about what was experiment here and what was testing? Why not make the obvious change immediately, seriously, and for good? For such a mass operation as the elections the local soviets of people's deputies, if it is conducted democratically, could really activate the masses. But the elections took place according to the old scenario under the close supervision of the apparatus.

But nonetheless the slogans "Restructuring Is a Revolution" and also "Democratization" are an immense step forward in the ideology of transformations since the April (1985) Plenum of the CPSU Central Committee. These are generalizations of the political level and concrete work can be done to activate the working masses guided by these slogans.

Here it is appropriate to look into the nature of the transformations that are ready to be made and the motive forces of the revolution that will have to be carried out in the USSR.

#### Distinguishing Features of the Social Revolution

The thesis that restructuring should be regarded as a revolution is so significant in the ideological-theoretical and practical sense that it immediately produced a powerful impulse for social thought in the USSR. A strong blow was dealt to the existing apologetic system of ideas concerning Soviet society. Therefore it was no wonder that attempts were made to reduce the effects of this flow. There were interpretations of the thesis of "restructuring as revolution" whose intention was to reduce its social mobilizing charge.

The most straightforward and primitive attempt is to interpret restructuring not as a social revolution but as some kind of scientific-technical revolution or simply a system of measures which when their radical nature is increased can be called revolutionary, as it were, metamorphic.

There has also been dissemination of the philosophical novella according to which socialist construction is a predictable sequence of evolutionary and revolutionary phases of development. And the revolutionary phases are periods of disclosure of a new quality which matures in the evolutionary phases.

The idea of the nonantagonistic nature of any socioeconomic contradictions in the Soviet society has also become extremely widespread. The very possibility of such contradictions is resolutely rejected (an exception is made for relations between society and criminals but this is an obvious evasion of the problem).

If all of the aforementioned attempts to emasculate the concept of "Revolution" were joined together there could be only one result: a new "theory of revolution." According to this "theory," which has already made its way with the help of certain scientific statements, in societies of the modern Soviet tide from time to time on initiative from above and mainly through the efforts of the apparatus of the ruling agencies (but with active support and agreement and approval of the people) there are revolutions the need for which is recognized by everyone. Everybody shares the necessary program of transformations equally unanimously. In this case the struggle amounts to overcoming nonantagonistic contradictions between fervent desires of each to put an end to the negative phenomena—and to the inertia which impedes efficient restructuring. The struggle of social forces is excluded from such a "revolution" and replaced by a kind of competition for being the one to restructure most rapidly. For all social forces are for the new and all of them are against the old!

It would be reasonable not to waste energy on the development of such a theory. Nothing like this has developed in our country for a long time and this is used as logical proof that there is no need for revolutions under socialism.

When applying the concept of "Revolution" to restructuring, that is, using it practically, it is necessary to carefully trace and try to put a stop to attempts to emasculate the concept of "Revolution." Let us name its most important characteristics.

First. A revolution always essentially changes the direction of social development. The essence of a revolutionary situation lies in the real possibility to make a historical choice for the country's further development.

Second. A revolution is a form of conflict in the historical arena between opposing social forces. Such a conflict reveals the irreconcilability of their radical interests within the framework of the existing system of economic, social and authority relations. In this the revolution is distinguished from other forms of social development in which either reforms are conducted or a social interest that does not have real force is suppressed.

Third. A radical issue of a revolution is the issue of power. This does not mean the replacement of certain individuals who exercised power with others. In a revolution there is a resolution of the issue of changing the means of exercising authority, stable structures of authority relations, and change in the type of authority.

Incidentally, this distinguishes it from conspiracies, palace revolutions, changes in administration and other such historically notable but not radical changes.

Fourth. There cannot be a revolution without the action of significant masses of people. A revolution can be started on initiative from above as well, but it cannot be completed and be victorious without an active mass political movement.

Such, in our view, are the basic characteristics of the social revolution in the Marxist-Leninist understanding of it which has been tested by practice. The experience of the revolutionary movement at the end of the 19th and during the 20th centuries confirms the fruitfulness of precisely this understanding of revolution as a form of social progress.

What are we rejecting. Distortion of socialism.

Attention is drawn to the fact that from the first steps of openness and activation of social thought, a broad scientific evaluation of the Stalin era and its ideology and methods for practical leadership of the society has constantly assumed a place among the crucial issues. We think that this is a profoundly predictable indication of the healthy direction of social thought. Conversely, a desire to remove this issue and declare it resolved so that it would not be included in the problematics of the forthcoming social revolution—this is a clear retardation of the restructuring. Vexation, confusion and even despair caused by the circumstance that the clear-cut evaluation of the 1930's and 1940's is again and again replaced by other issues or narrowed to the personal responsibility of the political figures, few of whom are still living. A departure from a correct formulation and consideration of issues pertaining to the historical past of the USSR would deal an immense blow to the ideology of restructuring.

The society developed in our country during the 1930's-1940's has been given its own name—the Stalin era. During 1953-1964 attempts were made (far from consistent in all ways) to reevaluate certain processes of that era, and, moreover, to direct the country's development into the channel of democratization. After 1965 the movement started turning backward on the whole and by the 1970's there was a stable socioeconomic system that called itself "real socialism."<sup>2</sup> Today we call it a period of stagnation. The Stalin era and the period of stagnation are sequential phases in the development of one and the same social system. On the banner of restructuring is written: To achieve a new qualitative condition of the Soviet society. But as compared to what condition will it be new? What is the old, initial condition of the society for the restructuring? It is precisely this question that makes a return to the past (beginning with the 1930's) crucial, practically urgent, and objectively inevitable. The Stalin era could be left without reevaluation until it

was studied by painstaking historians from one end to the other if it were not the initial phase in the appearance of the type of society we intend to reconstruct.

One is struck by a common quality of the ideology of the Stalin era and the era of stagnation: prohibit scientific evaluations of the Soviet society, and prohibit the very idea of scientific criteria that make it possible to judge whether or not the reality corresponds to scientific ideas about socialism as a system.

During the 1930's-1940's, as was noted at the January (1987) Plenum of the CPSU Central Committee, "lively discussion and creative thought departed from theory and social science, and authoritarian evaluations and judgments became indisputable truths which were subject only to commentary. There was a kind of absolutization of the forms of organization of the society that had developed in practice. Moreover, such ideas were essentially equated with essential characteristics of socialism, they were regarded as immutable, and they were offered up as dogma that left no room for objective scientific analysis. An ossified image of socialist production relations developed...."<sup>3</sup>

After the 20th CPSU Congress Soviet Marxist sociologists did a good deal of work to prepare for a reevaluation of the historical experience of the USSR. This work did not confirm the declarative assertions of 1956 according to which "it goes without saying" that one could speak only of retardation but not of digressing from the correct path of development. Lively creative Marxist thought which was suppressed during the 1930's-1940's by persecution and oppression of apologetics and dogmatism was regenerated after the end of the 1950's although it did not get onto the pages of the generally available mass press. Honest scientific Marxist-Leninist sociology have been in existence and fighting against apologetics for about 30 years now, having adopted ideas and traditions from the pure source—the classic works of K. Marx, F. Engels, and V. I. Lenin.

As concerns the social science that continued the ideology of the Stalin era, it was given sparkling evaluations in a number of documents and speeches, beginning with the All-Russian Conference of Heads of Social Science Departments in 1986. Let us quote one of these evaluations:

"The demand for social science acquired a purely momentary nature, which caused science to forfeit its real function.

"These tendencies became especially marked during the 1970's when the study of living, developing socialism began more and more openly to be replaced by fabricated formulas and stereotyped patterns. Moreover, under the influence of a noncritical attitude toward the nonstagnant phenomena an entire complex of influences that distorted the movement of theoretical thought took form and became ossified.



"As a result, we entered the 1980's not only with serious practical omissions and mistakes that are well-known today, but also with a theoretical awareness that was largely still at the level of the 1930's."<sup>4</sup>

One should take into account the fact that the followers of Stalin's ideology tried to modernize it. As usual they resolutely removed from the agenda the question of evaluating the existing practice and restructuring it according to indicators of the socialist ideal. But the form of this approach changed. There appeared the concept of so-called real socialism. It was based on the unproven concept that had developed by the 1970's of the order of things as a system of relations that fully met the criteria of socialism. But the scientifically reliable evaluations that had accumulated and the facts that became known make it possible to doubt the correctness of such declarations.

What are the main arguments that make it possible to draw such a conclusion?

The state with a dictatorship of the proletariat during the first years after October 1917 made participation in historical creativity actually accessible to the workers. The most important forms of it—the system of elections to soviets and congresses of soviets, open discussion of social problems—were destroyed in the 1930's. During the period of mass repressions the people were practically deprived of all their experienced leaders—commissars of the bolshevist types who were without exaggeration the key figures in the dictatorship of the proletariat. The mass of workers changed from being politically active to being passive and frightened. The apparatus for protecting the revolution during those years was transformed into a command-punitive apparatus.

The system of elections to soviets underwent radical changes and actually became a system of appointments. The executive apparatus and not its deputies began to play a decisive role in the functioning of the soviets.

The role of judicial power was reduced to nil. And this was no accident. Judicial activity presupposes equality of the sides and the possibility of defending rights and freedoms. But the principle of equality of managers and managed under the law was decisively violated and replaced by arbitrariness and illegality. All this has been noted in party decisions that evaluate the period of the cult of the personality.

There has been a radical change in the social policy, especially in the sphere of relations between workers and peasants, in connection with the excesses of the period of collectivism. By the end of the 1940's the peasantry was in an impoverished material position and deprived of a number of elementary civil rights and freedoms (suffice it to say that passports were not issued to all kolkhoz workers until the 1970's).

The intelligentsia, especially the creative people, were regularly subjected to criticism and intimidation. Instead of the task set by V. I. Lenin for active assimilation of all of the cultural wealth created by mankind, during the Stalin era the Soviet people were culturally isolated from the rest of the world. The cultural legacy itself was subjected to a destructive purge, as a result of which the people were switched over to an impoverished selection of "permitted" cultural values.

The economic system was reformed at the beginning of the 1930's in an extremely radical way. There was a sharp increase in the centralization of decisions and labor collectives were deprived of their economic independence. Cost accounting became a formality. The command-pressure methods of management were restored and centralism ceased to be democratic in practice. The criterion for socialist practice was declared to be the degree of collectivization of production understood in a purely economic sense as concentration and centralization of production. Aspects of social expediency, social direction, and social effectiveness were separated out from problems of ownership and thus, from problems of organization of the economy. A narrow economic approach prevailed, and along with it the establishment of a "barracks" policy, the essence of which was uniformity and standardization.

There has been a radical shift in the position of man in production and in society. Voluntary and conscientious discipline, enterprisingness in the interests of the society, a coming together of moral, material and creative interest in labor—all these are forms of the victory of voluntary work over compulsion that were generated by October and evidence of the establishment of a new type of worker. But development in this direction was halted during the Stalin era. They began to relate to man as a means of solving what was supposed to be social problems that were alien to him. When people write with inspiration about the labor enthusiasm during the pre-war five-year plans for some reason they forget that this enthusiasm was observed among those who remained free and far away from their former comrades who had been declared to be "enemies of the people."

The ideology of the Stalin era departed from Leninism in all of its most important points, retaining in primitive form Marxist-Leninist phraseological formulations.

When evaluating the Soviet society of the 1930's to the 1940's one cannot look one-sidedly at the indicator of progressiveness of that time: rapid rates of growth of the economy, construction of new plans and cities, the elimination of illiteracy, and accelerated creation of an army of specialists. Yes, these were achievements. But it is possible to evaluate them precisely only by taking them together with the deformations of social relations.

With the beginning of the Great Patriotic War these deformations were flowed up in a situation that was fatally dangerous for the country. "...There were certain

periods, for example, during the war years, when Stalin's individual actions were sharply limited, when there was an essential weakening of the negative consequences of illegality, arbitrary actions, and so forth. It is known that it was during the war period that members of the Central Committee and also eminent Soviet military leaders took into their own hands certain areas of the activity in the rear and at the front, made decisions independently, and through their organizational, political, economic and military work, in conjunction with local party and soviet organizations, provided for the victory of the Soviet people in the war. After the war the negative consequences of the cult of the personality again began to be manifested with full force."<sup>5</sup>

We consider this approach to evaluating the victory over fascism to be profoundly substantiated. The Soviet people won not because of Stalin's deviations from Leninism (this is supposed to justify such deviations under special historical conditions) but in spite of these deviations, compensating with great sacrifices for the weakness of the society caused by these deviations.

Why when it comes to the Stalin era do we speak of the deformation of socialism and not its regeneration? After all, the system of political, social, economic, and spiritual relations deformed in the barracks spirit presented a well-ranged final system. Its vitality and internal integrity are still being manifested in the form of uncompromising resistance to any attempts to shake it loose with democratization, to fertilize it with elements of progressive economic and organizational innovations, to humanize spiritual life, or to enrich culture. But, in spite of its integrity, the barracks deformation was unable to crowd out of the awareness of the workers the attraction to socialist ideals. Covering up gross deviations from Marxism-Leninism with Marxist phraseology during the years of the cult of the personality facilitated management of the masses. But there still remained in the awareness of the masses the ideals of socialism as the highest values. During 1953-1964 this understanding was confirmed. Attempts to "de-Stalinize" social life and steps toward democratization found immediate support among the people. These years have firmly entered social awareness as a period of the sociopolitical thaw. This means that the people were not inclined to value deviations from socialist democracy and valued socialism without any such deviations. And this is a deformation as distinct from a regeneration. The sum of all the deformations discussed characterizes fairly completely the condition of the society which we are rejecting and with respect to which we are restructuring in a radical and revolutionary way.

#### **Toward What Are We Striving? The Goals of the Social Revolution (Restructuring)**

The point about the revolutionary nature of the social transformations necessary in the USSR requires a scientifically precise development of the political strategy of these transformations and the tactics for carrying them

out. We are aware that the strategy and tactics of revolution are formed differently from the way a scientific conclusion is prepared for future times. They are developed mainly "in action," during the course of political squabbles. Arguments and counterarguments are presented and operate quite differently here from the way they operate in a scholarly dispute. Maneuvering, political cunning, tricks, and compromise inevitably accompany a revolution.

But there is one peculiarity of the social position of the leaders of the revolutionary process that makes it necessary to present their intentions clearly and openly. This is the need to come into contact with the masses and to ingrain the ideas of the revolution in the awareness of the people, having made them a real factor in policy. Only a radical idea and one that is radically formulated can reach the awareness of the masses, crowding out outdated and false concepts. Experience teaches us that revolutionary ideology can be nothing other than radical, clearly formulated, and completely truthful and sincere.

A politically pointed formulation of the final goal of the revolution that was imminent in the USSR is the elimination of the deformation of socialism and a return to the channel of progressive social development.

After the 27th Party Congress many social scientists expended a good deal of effort trying to explain why and how while retaining the socialist nature of production and political relations as a whole the forms of social behavior that were so incompatible with socialism became so widespread and why and how essentially socialist relations began to impede technical progress and stand in the way of orienting production toward social needs. The concept according to which the system of sociopolitical and organizational-economic relations was effective during the 1930's and 1940's and then simply became outdated, "lagged" behind the developed productive forces and the needs of life—this concept suffered from obviously strained interpretations. By relying on it it was possible to explain the retardation of the rates of economic and scientific-technical development. But the facts showed not simply a retardation of rates but that productive forces and the material and technical base of the society had for a long time been developing in a direction that did not correspond to the goals of humanization of the labor and life of man, but the proper social direction of production had not been provided.

At the January (1987) Plenum of the CPSU Central Committee it was clearly noted that phenomena of stagnation alien to socialism appeared at the beginning of the 1970's-1980's and that previous forms of organization of the society had become outdated and began to produce negative consequences as a result of their absolutization. Thus the conclusion was confirmed and once

again logically substantiated: "The final goal of restructuring is to renew all aspects of our society and to give socialism the most modern forms of social organization."<sup>6</sup>

At the same time at this plenum many essential processes and relations were designated as deformed and socially corroded. It was shown that this is not the result of conservatism and inadequate accounting for changes that had taken place, but the result of violations of the most important, fundamental socialist principles.<sup>7</sup>

From here it is only one step to understanding: not simple improvement of social relations but restoration of socialist principles and their regeneration—this is the goal that determines the revolutionary nature of the changes that are forthcoming. A number of points in the report by M. S. Gorbachev at the plenum correspond to precisely this idea of restructuring: "The Restoration and Development in Management of the National Economy of Lenin's Principles of Democratic Socialism"; "Complete Restoration of Lenin's Principles of Openness, Social Control, Criticism and Self-Criticism"; "To Regenerate Under Modern Conditions and Regenerate as Completely as Possible the Spirit of Leninism."<sup>8</sup>

The problem of the goals of the forthcoming revolution is not identical to the description of the socialist society of the highest stage of its development, that is, in the stage when fully developed, mature forms of all socialist social relations will exist and become predictable in nature, when the advantages of the socialist system will be utilized in all ways. Modern scientific ideas about the characteristics of this stage of the development of socialism have been registered in the CPSU Program, which speaks about new goals and a qualitatively new condition of the Soviet society on the path to the higher phase of communism.<sup>9</sup> The completion of the revolution that must take place in the USSR should be the beginning of the movement in the direction of such a qualitatively new condition of socialism. To consider the achievement of this condition to be the final goal of the restructuring would mean to set an impossible task and to dash forward in the reference points of development. The thesis concerning the duration of the development and improvement of socialism right up to the time of all-around utilization of the mature forms and advantages of it is an achievement of Soviet theoretical thought that is invaluable in terms of its practical significance.

The target orientation toward the country's escape from the deformation of socialism stands in contradiction to the narrow, facile understanding of the essence of restructuring as the elimination of individual shortcomings, violations, mistakes, lack of correspondence, arrears, and so forth. And it is possible to pull the rug out from under deliberate and unfounded apologetics and scholastics that still sell scientific monographs and articles only through analysis and free discussion of the factors, conditions, forms, and consequences of the deformation of the society. Deep and honest research,

without which it is impossible to have a link between theory and practice, correct generalization of the facts, and a search for radical and not palliative ways out of the crisis can be assured by only one thing: a recognition of the fact that in the modern Soviet society there are many nonsocialist patterns and tendencies. They include command-pressure management instead of democratic centralism, equalizing, immunation of the workers from their labor and production, a severance of criteria of effectiveness from social goals, and many other things.

Today we frequently hear and read that there are no alternatives to revolutionary restructuring. This is extremely imprecise. There are such alternatives but they lead away from socialism. Revolutionary restructuring is the only path for the USSR to regenerate Leninism.

The weakest and most dangerous aspect of the ideological support for restructuring is the underestimation of how crucial the social contradictions may be or deliberate silence about them and the assertion that the socialist nature of social relations cannot be lost under any circumstances and therefore one should speak only about partial improvements of the system and the development of the Soviet society and the previous direction that has been tested by practice. Such an approach does not make it possible to break away from economic determinism and the illusions of automatic social progress, it reduces the role of the working masses, and it removes from the people their historic responsibility for the destiny of the country.

Now not only everyday mass consciousness, but the theoretical thought of many scholars is inclined, paradoxical as it may be, to consider the existing deformation of socialism to be a completely logical embodiment of the policy of the Leninist Bolshevik Party before and after the October Revolution and a practical embodiment of Marxist-Leninist ideas. The ideology of Marxism-Leninism and Bolshevism both end up to be essentially compromised by the practice of the Stalin era and its relapses. We do not see any other way to rehabilitate Marxism-Leninism and Bolshevism than to recognize clearly and to explain with proof that the ideology of K. Marx, F. Engels, and V. I. Lenin were not the basis of Stalin's practice, that is to say were not the basis of the practice of the period of stagnation. It is necessary to explain that Leninism and Stalinism are not the same thing and thus return to the revolution the highest achievement of world scientific sociology—the ideology of Marxism-Leninism. "We resolutely reject our dogmatic, bureaucratic, and voluntaristic legacy for it has nothing in common either with Marxism-Leninism or with true socialism," emphasized M. S. Gorbachev in a speech at the Plenum of the CPSU Central Committee on 18 April 1988.

#### **Tactics of Restructuring. Its Possible Stages**

In the history of nations revolutions are objectively necessary, but many end in defeat. The main reason for the defeats are mistakes in tactics, that is, the inability to



translate the tasks of the revolution into the language of current operational tasks (subtasks). The most widespread mistakes in tactics are straightforwardness in implementing the strategy (getting ahead of themselves, isolation of the most active forces from those that are less active but are in favor of the revolution) and slowness (waiting or harmful compromises with enemies of the revolution, which indicates fear or confusion). Another variety of mistaken actions is provocation of the revolution, the adventuristic tactic of hurrying events when it is known that the masses are not ready for them.

In our view, the tactic taken in the USSR for revolutionary restructuring can be outlined in terms of its principle, predictable aspects if one relies on Lenin's teaching about a socialist revolution; on the experience of revolutionary practice of the workers in the Bolshevik Party headed by V. I. Lenin in 1917 and the first years after October; on the lessons of Stalin's radical "restructuring" of the country soon after Lenin's death; the lessons of the unsuccessful attempts to emerge from the deformation that were undertaken in the 1950's and 1960's; and also an analysis of the experience and results of 1985-1987. The list of the fundamental requirements listed below for the tactics of restructuring are conventional to a certain degree and do not claim to be exhaustive. But they are not arbitrary and not random.

At the January and June (1987) plenums of the CPSU Central Committee the stages of restructuring were named in the most general form: analysis of the situation; development of a political course; adoption of the basic decisions for realizing this course; solutions to concrete problems in all areas and in all spheres of the life of the society.<sup>10</sup> This schema corresponds to the logical sequence of any goal-directed activity. This kind of division into stages reflects an essential feature of the imminent revolution—the fact that it begins "from above." The logical continuation should be a determination of the stages as key sociopolitical tasks that will have to be resolved. Then when analyzing the real course of the restructuring it will be possible to compare one's actions and the actually achieved results with these tasks in order to determine whether or not the tactics are expedient, whether the revolution is advancing, and the stage of it in which the society finds itself.

The first stage is to make public and explain the political program of the revolution. This is perhaps not an action of the revolution itself but a most important prerequisite for it which is intended to awaken social awareness, bring the people out of the condition of social apathy, stimulate the appearance of progressive social movements, give guidelines to these movements, and arm them with political slogans that will contribute to the consolidation of all progressive forces.

The second stage is the social activation of the awakened progressive forces and the development of the revolution in breadth and depth. This task can be carried out through sequential general democratic reforms as

prerequisites and conditions for implementing all other revolutionary transformations. A free disclosure of concrete contradictions and problems, a search and a selection of ways of resolving them, and transformations according to socialist principles should become the cause of the people themselves and not the result of the concern of their managers for their needs, for the "rank and file worker," for the "human factor," and so forth.

The assignment of general democratic reforms is extremely simple: eliminate the monopoly of the apparatus over the determination of the paths of progress; guarantee the workers protection during their participation in the revolutionary process; and help them overcome their fear of illegality and frequently encountered arbitrariness of prohibitive, punitive, and command agencies. General democratic reforms must establish procedures for exercising all constitutional political rights and freedoms; provide a legal basis for sociopolitical activation and self-organizational progressive forces; provide for real equal rights of the people who are managed and managers of every rank before the law; restore the force of the judicial authority on the basis of the laws guarantee legal protection of any political or other activity does not contradict the Constitution on the part of members of the society and all existing and newly created social organizations and associations just like the judicial prosecution of any anticonstitutional activity.

Along with general democratic reforms it is correct to carry out more particular transformations that affect concrete spheres of life. Allowing cooperatives, individual labor activity and so forth are transformations of precisely this kind. But an indicator of movement forward is not an effect from partial measures but successes in solving the key sociopolitical problem: making socialist normalization a matter for the people themselves. Evidence of the correctness of the course should be an enlivenment of progressive forces, the generation of social initiatives, and on the basis of these, the appearance and growth of organizational social sociopolitical movements that fight for practical resolution of the most diverse problems of politics, economics, culture, and ideology.

The third stage and the third key sociopolitical task is to provide for consistently humanistic (socialistic) direction for the development of productive forces and a material and technical base for the society, science, and technology. The radical reform of the economic mechanism and democratization of management correspond to this task. The history of the 1965 reform and also the numerous tests and experiments of the 1970's and 1980's have proved irrefutably that without political democratization it is impossible not only to bring radical economic transformations to their completion but even to actually begin them. When the brigade organization of labor was being widespread the problem of the limits of worker self-management was resolved. And it became clear that it was impossible to have democratization of

production management without general sociopolitical reforms. With rare exceptions worker self-management did not go beyond the framework of brigades and was concentrated on the distribution of earnings and labor discipline. The nondemocratic social environment in which worker self-management appeared contributed to the establishment and reinforcement in the brigades of a nondemocratic situation of artel mutual responsibility. The brigade became for the administration a convenient instrument of pressure on the workers by their own comrades and by methods which border on direct violations of the constitutional rights and freedoms of the individual.

An important criterion for the third key task—a radical reform of the economic mechanism and democratization of the entire economy—is real control of the collectives over the activity of the administration (transforming the collective into the subject of management, into the “master”). To achieve this means to reinforce in deed the revolutionary conquests of restructuring. But this, let us repeat, cannot be done unless we base the reform of the system of management of the economy on resolute restructuring of socioeconomic relations on a democratic basis. Only social activation of all progressive forces can be a guarantee of the irreversibility of the process of socialist normalization of social relations, including economic ones. We must not forget about the priority of politics over economics. Constant maintenance of the democratic nature of the state and democratic methods and forms of functioning of all units of state authority and state management are a guarantee of avoiding future deformations of socialism, a guarantee of improvement and development of the Soviet society right up to the point of socialist maturity and the changeover to the next phase of communist construction.

At what stage of revolutionary restructuring is the current Soviet society? The words uttered by M. S. Gorbachev at a meeting with leaders of the mass media, ideological institutions and creative unions in January of this year will help to understand this.

“We are only beginning the restructuring, our society is only just coming out of a condition of stagnation.”

“The people are wreaking havoc, they are raising their heads!”

“There is a process of consolidation of the society around the ideas of restructuring.”

“There will probably be deviations as well.”

“We have basically completed the first stage of restructuring and are beginning the second.”

“Of course we shall get sick again more than once. Our diseases will not be slight but we shall become stronger and proceed forward even more confidently.”<sup>11</sup>

### The Dangers That Threaten Us

It is extremely difficult to determine the motive forces for the revolutionary restructuring. We do not have enough historical experience on which we can rely in order to consider with sufficient confidence that various social groups and segments are objective motive forces for the forthcoming social revolution. We do not have enough substantiated scientific ideas about the real social-class structure of our society or the orientations or psychologies of various social groups.

Under these conditions the idea about the vanguard role of the working class and the restructuring reflects more the desired than the actual situation. It is wrong to judge by analogy with the victorious October Revolution. Such judgments rely on the Marxist-Leninist tradition and this is their strong side. Their weak side is their inadequate reinforcement with analysis of the concrete historical situation. When people say “the working class” they forget about the fact that this means more than 80 million people. Such an immense community is extremely heterogeneous and includes groups and segments with varying levels of education, various interests, social ties, social experience, and readiness for active participation. The lack of preparedness of a certain part of the working class to be the main support in the restructuring has already been noted in the party press: “The working class of the capital is undoubtedly in favor of changes and participating actively in them. But a considerable proportion of them are not ready to become full-fledged masters, to take on their share of responsibility for the course of the restructuring.”<sup>12</sup>

Which groups and segments are in favor of consistent socialist renewal? How do they understand this? Who will resist and what alternatives to restructuring will they advance? These problems are in need of extensive discussion and scientific analysis. Schematism in understanding the motive forces of restructuring and ignorance of the real diversity of opinions, attitudes, and intentions can lead to serious mistakes, can turn potential proponents away from restructuring, and impede social neutralization of today's and tomorrow's opponents.

“If the restructuring is actually a continuation of the revolution,” said M. S. Gorbachev in January of this year, “if we are actually conducting a revolutionary policy, this means that struggle is inevitable.”<sup>13</sup> It seems that forms of this struggle would be fairly diverse. A situation of severe, open conflicts can under certain circumstances be used by that part of the state administrative apparatus which in 1986-1987 was to a certain degree paralyzed by confusion while waiting for the forthcoming radical changes. But essentially still has considerable power. All it needs is a reason to “turn the screws.” And these reasons can quite possibly be provoked by slowness in restructuring. It is quite probable that then there will appear alternatives to socialist renewal—formulas and slogans for a nonsocialist way for

the USSR to escape the difficulties of the current period. For even now some of the population (according to our estimates, not many) link the country's return to economic progress with allowing modern, purely capitalist methods of activating labor and economic activity and also forms of political life which developed under conditions of bourgeois democracy. The sequence in realizing democratic forms of public power would be a real counterweight to such a regeneration of social awareness whereby bourgeois democracy and capitalist methods of management are passed off as the highest achievements of civilization. Conversely, if instead of carrying out democratization in the country the "screws are turned," then the current active generation might finally lose hope of a practical embodiment of the human ideals of socialism.

Is it possible to have another variant of the development of events when there is a delay with the radical democratic reforms? Yes, it is possible if today we exaggerate the readiness of the Soviet people for political activation and if their passivity is even deeper. Then the most intellectually and politically developed segments, having accepted the tactics of delay as a usual, "normal" divergence between loud slogans and practical deeds will begin to express their dissatisfaction as they did during their years of stagnation in private discussions and anecdotes among friends. There will be a renewal and strengthening of the causes of moral decay, drunkenness, drug addiction and the appearance of new forms of "caring for oneself" (taking to their bed, in the expression of A. and B. Strugatskiy) in the circle of reflective intelligentsia and educated youth.

Other segments of the population can perceive partial transformations and half-hearted reforms as real progress. They will believe that such liberal innovations as permitting individual labor activities, cooperatives, and the family contract, and allowing in the press criticisms of shortcomings that were previously prohibited to poets and writers completely exhaust the concept of restructuring. They will be concerned only about one issue which even now one has occasion to hear: will all these permissions and all this easing up last long? Without measures for broad democratization of the establishment of political self-awareness of the workers it will be halted from the very beginning. Especially among those segments where the natural wealth of the humanistic way of life is reduced to the standard ideal of consumption.

There is no doubt that with the "peaceful" variant of regeneration the bureaucratic cast will easily find a place in the system of management, it will find new methods and forms that make it possible to command and be a parasite on behalf of the party, the interests of the cause, the country, and so forth.

In order to avoid a development of events that is dangerous for the fate of socialism in the USSR it will be necessary to set forth a convincing and attractive program of social restructuring and practical steps which

would be the basis for broad social movements and would not assign the people the role of obedient executors of earmarked plans and designs. The program for social restructuring and practical actions should contain clear-cut political slogans addressed to social movements which answer the question: What should be done in order to accelerate the restructuring?

#### **On the Means and Methods of Revolutionary Transformation**

The overall approach to selecting means and methods of the forthcoming revolution is that they must be democratic. All mistakes and tactics that will be discussed amount to a violation of democratization.

Let us consider the "stumbling stones" in the means and methods.

One of the most important incentives that motivate people to utilize nondemocratic means and methods in restructuring is the idea about the extraordinary nature of the concrete historical situation that has developed in the country. And examples from the past are ready. Therefore it is important to overcome the widespread, essentially predominant conviction that Stalin's methods can be historically justified by the extraordinary circumstances. It is important because even today's social forces that are objectively not interested in democratization of the existing system of authority and management relations will undoubtedly insist on the extraordinary nature of the domestic and foreign position of the USSR and, possibly, they will even provoke actually extraordinary new circumstances.

A strong motivation for applying previous, nondemocratic methods of influence of each level of management on lower ones (in the final analysis—workers, kolkhoz workers, and rank-and-file employees) can be the desire to demonstrate the effectiveness of the restructuring as quickly as possible to the Soviet people and the entire world. Concrete manifestations of this tactic of forcing (hurrying) can be extremely varied. We shall mention what in our opinion are the two most typical peculiarities.

First—the requirement for rapid appreciable results before the necessary prerequisites have been created for making positive strides. For example, requirements for departments, local soviet agencies and economic managers to "restructure more quickly" and, for instance, improve supplies to the population, increasing labor productivity, eliminate cases of unearned income, and so forth. Such requirements cannot be fulfilled deeply enough until there has been a radical reform of the management of the economy. Reserves of the previous system of management have been practically exhausted. How then does one achieve rapid successes? Under these conditions the tactic of hurrying leads only to new, modified forms of command-punitive management and



sows seeds of doubt in the economic apparatus concerning the sincerity of the course toward democratization. At the same time an extremely open, friendly and frank conversation with people and explanation of the reasons why is impossible to rectify the economic situation rapidly will only strengthen the confidence of the people.

The second is the priority of quickness of actions over their legality. This pertains also to those cases when by the fault of various state agencies the introduction of actually necessary normative acts is delayed. Many questions of restructuring are now resolved on the basis of recommendations of higher and local party agencies, that is, instructions that do not have the status of law. The authority of party organizations is opposed to the authority of law, which is absolutely unacceptable for it reproduces the old practice and does not contribute to increasing the legal awareness or strengthening law and order. The tactics of hurrying can create a nondemocratic practice and atmosphere of campaigning since it causes the departmental and local staff to report to the leadership concerning measures that have been adopted and achievements. Making the people think of the restructuring as a regular staff campaign is a sure method of squelching the initiative of the masses.

Another motive for applying undemocratic methods during the source of restructuring is the desire to placate and neutralize its real and potential opponents. But the tactical compromises that put off real democratization until better times does not bring success. On the contrary, it retards the activization of progressive forces and impedes their actions. As concerns reactionary segments, no technical devices to placate them can make them proponents of the revolution or lead them into temptation. The tactics of temporary compromises will only help the reactionary segments to gather their forces, consolidate and hold off for a long time or else reduce the revolutionary restructuring of the society to nothing.

The concept of restructuring that many people have pushes the course of transformations toward this schema: "We will begin with the economy and on the basis of the improvements in this sphere we shall develop democratization and achieve improvements in all areas." But this is not a far-sighted schema. The approach whose formula is contained in party documents is more effective and M. S. Gorbachev stated this directly: "We cannot move further any way than through democratization of our life."<sup>14</sup> Let us take a look at what lies behind us.

The main reason for the waiting, passivity, and timidity in entering into the restructuring is, in our opinion, the lack of confidence in their rights, timidity, and even fear. The life experience of several generations of Soviet people suggests that they must not manifest initiative, that you might find protection from arbitrary and illegal behavior or you might not. The very idea of going to court in order to seek justice from a bureaucrat, the police or a punitive agency, for derogation in the press—

the very thought seems absurd to the majority of Soviet people. You complain to the party organization but not to the court. You appeal to the real authorities and not to the law.

The first thing that must be done is to lower the level of fear in the society. To do this it is necessary to legislatively determine the competence of all prohibitive, punitive, and command agencies.

Not everything is in order with respect to the observance of constitutional rights and freedoms, which is linked to the very nature of the system of legal regulation which precludes actions that are automatically allowed. It is necessary to revise and democratize in an elementary way the procedures for going to court and conducting investigations and inquiries. It is especially intolerable that it is impossible to obtain qualified assistance from a lawyer during the stage of investigation, from the moment of detention or arrest, the more so since the USSR population is universally illiterate when it comes to the law.

Activization of the workers in various spheres of the life of the society is beginning to demand social protection of this activity and the creation of favorable conditions for political (precisely political) activity of the population. Even now they are trying to create certain social organizations, but this desire frequently cannot be realized in spite of the rights envisioned by Article 51 of the USSR Constitution. The previous forms of social activity are retained, which remind people of the nonvoluntary activity, formalism, and conventionality. If we wish to renew the society we must shake this dirt off from our seat.

It is necessary to provide real possibilities of creating organizations that are useful for the cause of restructuring, to realize initiative, and to diversify the forms of socially useful independent activity of the population. Today the apparatus of party agencies, ispolkoms, trade unions, and so forth are panicked about creating informal organizations on initiative from below. This is a real contradiction but we can resolve it only on the basis of legal regulation and control of the society over the goals, methods and forms of work of new informal organizations.

The experiment with multiple mandate districts in terms of its scope did not even come close to meeting the expectations of the people. We need a radical democratization of the electrical system and a change in the style of functioning of the soviets.

The legislative and norm-setting activity during 1985-1987 clearly did not correspond to the tasks of revolutionary restructuring. The nature of this activity remained at the level of the end of the 1960's and through the beginning of the 1980's. Yet the tasks of the period of stagnation were qualitatively different from the tasks of the forthcoming revolution. Legislative and

norm-setting activity during the 1970's and 1980's (and it was active) documented the status quo in the form of law. But now the laws must, according to the logic of restructuring, helped to break the status quo, to change it, and not reinforce it. But in reality we are preparing and adopting one law after another that raises the deformed policies to the rank of legal policies and thus reinforces them.

The result of the analysis we conducted amounts to the fact that it is still necessary to give the restructuring the nature of a social revolution. Openness began to prepare public awareness for an understanding of the historical responsibility of living generations for the destiny of socialism in the USSR. There was a marked divergence in ideas about the past, the present, and the future of the country. Some of the people are inclined to think that the existing system of relations is a good basis for further progress and movement toward communism. Others, the more critical ones, do not wish to reconcile themselves to the deformations but will reconcile themselves to the idea that they are inherent in socialism and thus they quite unjustifiably place responsibility for them on Marxism-Leninism.

To clear away and dispel these delusions means to return the society to true Marxist-Leninist ideology and the real link with the glorious revolutionary past—a link that has been ruptured by the punitive deformation of socialism. Only this way is it possible to cause the chain reaction of creative revolutionary energy.

Are the people ready for the whole truth, are they ready to proceed actively toward revolutionary restructuring? They are always ready to receive the entire historical truth right to the end, this is a distinguishing feature in all times, as concerns participation in revolutionary restructuring, in our opinion, the period of 1985-1987 gives us justification for completely optimistic evaluations. In spite of the difficulties noted above, the people are rapidly restoring interest in sociopolitical activity. It even seems to us that we are underestimating their readiness to participate in radical transformations. For now both the propaganda of experience and appeals call mainly for activation in the economic sphere and democratization of sociopolitical life is lagging behind, becoming bogged down, and slowing up. This stoppage in the restructuring must be eliminated and then there is reason to expect that the processes of renewal of the society will become much stronger.

No matter how difficult it is to prepare a revolution under modern conditions, no matter how complicated it is to develop it step by step, and no matter how strong the resistance, there is still no other, more noble cause than participation in a revolution. Let it come about!

#### Footnotes

1. PRAVDA, 31 July 1986.
2. We must not confuse the concept of "real socialism" with the concept of developed socialism. Although they

both appeared in the 1970's, they played completely different roles.

3. Materials of the Plenum of the CPSU Central Committee, 27-28 January 1987, Moscow, Politizdat, 1987, p 8.

4. KOMMUNIST, No 8, 1987, p 8.

5. "The CPSU in Resolutions and Decisions of Congresses, Conferences and Plenums of the Central Committee," Moscow, Politizdat, Vol 7, p 208.

6. See "Materials of the Plenum of the CPSU Central Committee," 27-28 January 1987, p 75.

7. Ibid., pp 9, 11, 38, 43.

8. Ibid., pp 15, 23, 30, 65.

9. "Materials of the 27th CPSU Congress," pp 140-141.

10. "Materials of the Plenum of the CPSU Central Committee," 25-26 June 1987, p 9.

11. PRAVDA, 13 January 1988.

12. MOSKOVSKAYA PRAVDA, 9 August 1987.

13. PRAVDA, 13 January 1988.

14. Ibid.

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11772

#### Belorussian Economists Review Experiment, Propose Improvements

18200210b Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 5, May 88 (signed to press 1 Apr 88) pp 29-40

[Article by V. I. Kletskiy, doctor of economic sciences, and G. I. Shadurskaya, candidate of economic sciences, Institute of Economics of the BSSR Academy of Sciences (Minsk): "Lessons of the Belorussian Experiment"]

[Text]

#### Where Have the Experiments Led Us?

A new system of planning and economic incentives, whose basic elements were tested during 1984-1986 during the course of a number of economic experiments, is now being introduced in the country's industry. A

decisive step forward in improving the economic mechanism is the changeover of industrial enterprises of the majority of branches to complete cost accounting and self-financing. But certain prerequisites are necessary for its consistent realization.

The methods of forming the wage fund and the material incentive fund that are being introduced under the new conditions of management (according to the formula "base + increase in funds for increase in indicators") still fully retains all of the shortcomings of the mechanism of planning "from the level achieved": enterprises that have operated well during the base period end up in more difficult conditions for forming incentive funds of the collectives as compared to the enterprises that operated worse and have relatively more unutilized production reserves. This means that the new methods for stimulating enterprises that have been widespread in industry have not properly resolved the problem of accounting for differences in the level of production effectiveness that has been achieved, and without this it is difficult to realize the principles of social justice.

We are not succeeding in getting away from the expenditure method of establishing individual economic norms. They are calculated on the basis of expenditures for various purposes that are planned for each enterprise in the five-year plan. And this means that the new conditions for management that have now been extended to the majority of branches of industry do not contain an effective antiexpenditure mechanism.

The first and most important condition for successful realization of the idea of complete cost accounting and self-financing is the application in all branches of industry of scientifically substantiated wholesale prices that are constructed according to a unified principle and are strictly oriented toward socially necessary expenditures of labor. At the present time the country does not have such prices. The actually established prices cause unjustified and fairly large differences in the level of profitability both of the branches and of individual enterprises within the branch. Since the price has ceased to perform its major function—accounting for socially necessary expenditures on the production of products—it is impossible to have an objective determination of the results of production and prerequisites are created for nonequivalent exchange among enterprises and branches and unreliable information about the effectiveness of production, which leads to various conflicts and additional difficulties in coordinating social, collective and private interests.

A second condition for the introduction of cost accounting and self-financing is consistent implementation of the principle of complete reimbursement for losses including those caused by the violation of contractual relations by contracting agents of the enterprises and also the principle of mandatory reimbursement to enterprises for expenditures they make when rendering services to other enterprises and organizations. At the present time

this principle is not being fully realized. It is known, for example, that fines paid by transportation organizations for failure to fulfill contractual commitments reimburse industrial enterprises for only a small share of the losses caused by tardy arrival of means of transportation.

It is also known that the relations between industrial enterprises and kolkhozes for rendering assistance to the latter in conducting agricultural work are not arranged on an equivalent basis and the kolkhoz is not responsible to the industrial enterprise for losses caused by diverting workers from the enterprises to agricultural work.

Justifying the need and possibility of introducing principles of complete cost accounting and self-financing at the level of each enterprise, proponents of this idea proceed from references to the fact that at the present time all enterprises (including medium-sized and small ones) have a sufficiently high level of technical equipment and are capable of carrying out production profitably and providing for high effectiveness. But this reference does not correspond to the real state of affairs; it is erroneous. In many branches of industry (especially the food, light and wood-processing industry) there is a large proportion of enterprises with outdated technology, with obsolete and worn-out fixed capital, and with a low level of profitability. To think that these enterprises can provide for complete technical reequipment and updating of their fixed capital (that is, provide for self-financing) through their own sources is to be deluded.

According to the data of Zh. Sidorova and A. Goldman, the level of profitability in industry today will enable only 20-25 percent of the enterprises to work under the conditions of self-support, and only 12 percent of them can provide for self-financing of expanded reproduction. These same authors note that in 1984 in industry 11 percent of the enterprises were planned to operate at a loss and 13 percent of them actually did have losses.<sup>1</sup>

The changeover of five of the most profitable branches of industry to cost accounting and self-financing beginning 1 January 1987 did not mean a changeover of every enterprise to this system. It is known, for example, that in the USSR Ministry of the Automotive Industry in 1987 11 enterprises were planned to operate at a loss, that is, not only did they not provide for social and production development, but they did not even make up for current expenditures with their own income. Moreover, many enterprises of these branches have low profitability and are also developing at the expense of funds from the branch or the budget.

In our view, it would be more correct at the present time to speak of self-financing at the level of the branch and not at the level of each enterprise. Real self-financing at the level of each branch, in our opinion, will not be possible until the future. It presupposes conducting a large amount of preliminary work for specializing enterprises, raising the technical level of the backward enterprises, improving the organizational structure of the



management of industry, and improving the system of wholesale prices and forms and norms of material responsibility in interrelations with economic agencies.

It would be more realistic to raise the question of the need for a stage-by-stage changeover of enterprises to complete cost accounting and self-financing. In the first stage one should speak about changing over only part (or a large part) of the enterprises over to this system. The changeover of all industrial enterprises to cost accounting and self-financing that is being carried out at the present time, whereby reimbursement at the expense of the branch for planned losses of individual enterprises is also regarded as a form of self-financing, in our opinion, discredits the very idea and means a discrepancy between word and deed and casts doubt upon the feasibility and effectiveness of the earmarked measures for improving the economic mechanism.

While noting a certain amount of progress with the new methods of management that are being introduced in the branches of industry (including the mechanism for cost accounting and self-financing), at the same time it must be admitted that these methods do not correspond to the task of radical restructuring of the economic mechanism which provides for realizing the strategy of acceleration of socioeconomic development.

An analysis of the reasons for the inadequate effectiveness of the new management conditions (we have in mind mainly the lack of progressive in establishing close connections between the amounts of incentives for collectives and the final results of their activity) provides justification for drawing a conclusion concerning the need for a fundamental change both in the methods for evaluating the results of the activity of the production collectives and the mechanism for the connection between these results and the incomes of the collective.

The shortcoming of the methods for evaluating the activity of production collectives currently in effect is the fact that numerous criteria are used for evaluation, the results are expressed in a multitude of forms, and there is a desire to reflect various specific aspects of activity element by element during evaluation. The indicators that characterize the results, as we know, including the volume of production of output, profit, or reduction of production costs. In light industry, for example, one applies the sum of increments to prices for products with improved quality and so forth. Consequently, the shortcoming consists in that the system for evaluating activity does not have a unified generalizing indicator of the result which comprehensively characterizes all aspects of the activity of the production collective and determines the measure of labor of the collective.

Another principal shortcoming of the economic mechanism is that the system of incentives for the collective includes a multitude of channels for forming funds for paying wages, which duplicate one another to a considerable degree (the wage fund, the material incentive

fund, various special incentive funds, and so forth). In light industry of Belorussia, for example, under the conditions of the large-scale economic experiment, in addition to forming the wage fund (it was formed according to the indicator of volume of normative net output), and the material incentive fund (it was formed according to the indicator of calculated profit), in 1984-1986 they applied channels for the formation of incentive funds that were independent of the overall results of the activity. These included increments to prices for products with the Index N (innovation) and D (contractual prices), for increasing the output of goods from the children's assortment, for saving on specific kinds of material resources, for 100-percent fulfillment of contractual commitments, for the adoption and fulfillment of counterplans for labor productivity, for the introduction of new technical equipment, and for a number of other specific incentive systems established by the corresponding special government decrees. As the practice of the operation of light industry enterprises in 1984-1986 showed, all the special incentive systems provided the enterprises with additional funds for forming incentives for the collective and their sum significantly exceeded the planned amount of the material incentive fund formed according to the indicator of calculated profit.

An analogous situation remains in branches that are working under the conditions of cost accounting and self-financing. Naturally, under these conditions the many channels for the formation of sources of incentives for the collective create prerequisites for more rapid growth of the total sum of incentive funds as compared to the growth of the final results of the activity of the collective, and planned management of the dynamics of the growth of the results of activity and the amounts of incentives for the collective is made more difficult.

#### Pluses and Minuses of the Belorussian Experiment

An evaluation of the results of economic activity in terms of the indicator of gross income and the mechanism for its distribution using the indicator of residual gross income was used as a basis for the new economic experiment begun on 1 January 1987 in light industry in Belorussia.

#### Why was gross income used as a basis?

As we know, gross income generally characterizes the final economic effect of the economic activity of the enterprise and makes it possible to refrain from a system of partial indicators, each of which characterizes only particular aspects of management. The utilization of gross income is the indicator for the final economic result and as the payment-forming basis makes it possible to coordinate the amount of the fund granted to the enterprise with the final result of its activity and with the financial source.

The calculation of the gross income in current prices provides for a correspondence between the value forms used in the economic mechanism and the real monetary circulation and it creates prerequisites for coordinating the physical-substantial and value proportions at various levels of management and international economy as a whole. The indicator of gross income reflects both the necessary and the added labor (more precisely—labor for the society).

Before forming from the gross income the unified wage fund for the collective of a given enterprise, part of the gross income should be sent for nationwide needs. It would be determined not arbitrarily but according to scientifically substantiated norms. Since the collective of an enterprise carries out its own activity using the national production funds granted to it by the society, the sum of the gross income deducted by the enterprise into the national fund should be coordinated with the amount of production funds used by the enterprise. In practice it assumes the form of payment for fixed and circulated capital and interest on credit.

Thus an indispensable stage in the process of distribution of the newly created value is the changeover from the overall sum of gross income to the calculated gross income.

Certain proportions of the calculated gross income should be sent (according to previously established norms) to the centralized fund of the ministry (for general branch needs) and to the social security fund. The residual gross income is formed by subtracting these sums.

Before beginning to distribute the residual gross income for the various needs of the enterprise it should be adjusted by the amount of the difference between the sums of the cost accounting sanctions that have been paid and received. This adjustment is a necessary condition for an objective evaluation of the final results of the activity of the production collectives. It reflects the real ties among the enterprises along the horizontal. The residual income formed after this adjustment should be distributed for the various needs of the enterprise. From it, according to previously established long-term norms (they are established in percentages of the adjusted residual income) it is necessary to form the fund for the development of production, the fund for social and cultural measures and housing construction, the wage fund, and the enterprise's financial reserve.

Such was the intention.

As a result of the large amount of work for preparing for this economic experiment that was done in the ministries of light industry of the BSSR and USSR and the republic gosplan, the "Basic Provisions" were developed and also the corresponding methodological instructions that determine the policy for the formation and distribution of the gross income, the formation of the wage

fund for the development of production and the fund for social and cultural measures and housing construction, the wage fund, the financial reserve of the enterprises, and other conditions of the experiment.

An analysis of the methodological documents coordinated with the Gosplan, the Ministry of Finance, the State Committee for Labor and Social Problems and the AUCCTU and approved by the USSR Ministry of Light Industry show that the mechanism for evaluating the results of the activity of the enterprises in terms of the generalizing indicator of gross income and the formation of the unified wage fund in terms of this indicator, unfortunately, have not been consistently realized in practice. The basic provisions and methodological instructions envisioned a number of these exceptions and deviations from the aforementioned principles which, in our opinion, undermine the very idea of the formation of the unified wage fund on the basis of the generalized resultant indicator and thus do not make it possible to realize its advantages. The concrete management mechanism established for experimental verification has, in our opinion, the following shortcomings that are of a fundamental nature.

1. The basic provisions in methodological instructions envision the special policy for distributing increments for wholesale prices for new goods with improved quality and additional monetary accumulations from the sale of the first experimental batches of goods and especially fashionable items at contractual prices. The sum of these increments is excluded from the gross income before it is distributed, although the increments themselves are then distributed in the same directions, which is also a basic part of the gross income: into the budget, the centralized fund of the ministry, and the cost accounting funds of the production unit.

Thus instead of a unified mechanism for distributing the total sum of the gross income they introduce two parallel channels for the distribution of income (the basic part of the gross income and increments to prices) that duplicate one another in terms of their stimulating role. The differences between these channels consists only in the proportions (or, rather, in the approaches to establishing them) through which the data from the part of the income are "broken down" into their constituent "elements." The calculated gross income is distributed according to individual managers that reflect the existing conditions of each specific enterprise; the increments to the prices—according to a unified normative for all enterprises. The proportions of the distribution of the calculated gross income fluctuates significantly for the various enterprises, deviating in one direction or another from the proportions for the distribution of increments to prices.

On an average for the Belorussian SSR Ministry of Light Industry the proportion of calculated gross income used for the enterprises' own needs almost coincides with the proportion of increments envisioned for these purposes

(these figures for the first quarter of 1987 were 45.5 percent and 45 percent respectively), under these conditions a change in the amount of increments in the gross income is almost not reflected (for the ministry as a whole) is the proportion of the total gross income left at the disposal of the enterprises.

At enterprises where the proportion of calculated gross income used for internal needs is considerably higher than the proportion of increments for these purposes, when there is an increase in the proportion of increments to prices (which logically is the result of improving product quality) the proportion of the total gross income left at the disposal of the enterprises will decrease and vice versa.

Excluding from the gross income the sum of the aforementioned increments and in distributing them independently seems incorrect to us. Under the conditions of the existence of an independent mechanism for the distribution of incomes regardless of the distribution of the basic part of the gross income, it is impossible to provide for the necessary proportions between the growth of the real incomes of the collective and the final results of their activity. Stimulation of improvement of product quality should be provided through establishing the basic amount of the increments depending on the level of the quality or even on the basis of differentiation among the enterprises of the normative for the formation of the wage funds and the residual gross income depending on the proportion of high-quality items.

2. In our view, the proposed method of calculating the normative for the formation of the wage fund on the basis of residual income has an essential shortcoming. According to the provision, this normative is determined as the ratio (in percentages) between the wage fund and the residual income. But when determining the wage fund, on the basis of which the normative is determined, one takes into account the wage fund calculated in keeping with the provisions concerning the normative formation of the wage fund for production associations (enterprises) of the USSR Ministry of Light Industry which are operating under the new conditions of management in 1987-1990 and the material incentive fund calculated in keeping with the standard provisions concerning the policy for the formation and utilization of the material incentive fund (unified fund for material incentive) for the 12th Five-Year Plan in industry.

In essence the normative is produced from the amount of the wage fund and the material incentive fund calculated according to previous methods. It "manifests itself" only in the case of a deviation of the actual gross income from the planned amount within a given year. This mechanism, in our opinion, cannot be considered to be the "formation from the gross income." Moreover, it has led to a complication and an increase in calculations. When determining the actual amount of the wage fund one

uses, essentially, all methods in effect for enterprises operating under the new management conditions on the basis of which the normative is calculated.

Moreover, the mechanism for forming the wage fund and the material incentive fund, on the basis of which the normative for deductions into the wage fund from income is calculated retains the basic shortcomings of the practice of planning from the level that has been achieved—they do not take into account the level of achieved effectiveness of management or the factors of growth of the volume of production. In essence, the amount of the normative is conditioned by the level of the actual expenditures of wages in a given production unit. In practice this means that even under the new management conditions introduced on 1 January 1987, which were based on principles of normative shared distribution of residual growth income, as before there remains (in its worst variant) the individual nature of the formation of normatives for deductions into the wage fund since these normatives are not sufficiently oriented toward progressive, scientifically substantiated norms for labor expenditure and wages, on equalization of initial conditions, or on accounting for differences among enterprises in the level of effectiveness of management. It should be noted that many economists have focused attention on the shortcomings in the policy for forming the wage fund and the material incentive fund when analyzing the large-scale economic experiment. Nonetheless when changing over to the new management conditions in 1987 these shortcomings were not eliminated and all the defects of the previous mechanism for forming funds for paying for the labor of the collective were "invested" in the new economic mechanism.

3. There are objections to the proposed policy for determining the actual wage fund. According to the established policy for the formation and utilization of the wage fund in production associations (enterprises) of the BSSR Ministry of Light Industry when it is formed from residual income, the actual wage fund can be increased as a result of a number of factors:

- deductions of part of the increments to wholesale prices for new goods of improved quality used under the established policy for bonuses and also from sums of additional monetary accumulations from the sale of first batches of goods and especially fashionable items at contractual prices;
- bonuses received for the delivery of products for export;
- bonuses for the production of consumer goods manufactured from wastes;
- payments for collecting and turning in production wastes for repeated utilization;
- bonuses for startup of planned capacities and construction projects;
- bonuses for the assimilation of planned capacities;



—funds used for bonuses for economizing on material resources;

—other funds intended for material incentives under various special systems introduced at various times by the corresponding decrees of the USSR government.

The dynamics of all these partial indicators with which additional deductions are made into the wage fund is closely linked to the dynamics of the gross income. Since one establishes the direct normative dependency of the wage fund on the gross income—the indicator of the final economic result—the creation of autonomous sources for incentives cannot be justified in any way. Their elimination (on the basis of combining them with the basic part of the wage fund) would make it possible to avoid duplication in incentives for the same aspects of the activity of the production units and to eliminate preconditions that lead to more rapid growth rates of the wage fund as compared to the growth rates of the gross income. In this connection the provision concerning additionally increasing the wage fund for fulfillment of commitments for the delivery of goods in keeping with concluded agreements and orders that have been accepted is especially unjustified. When there is an inadequate reserve used for these purposes it can even be done at the expense of reducing deductions from the calculated gross income into the budget (under the condition of the fulfillment of the established plan for gross income). This leads to an encroachment on the interests of the state. Moreover, the fulfillment of the plan for deliveries is not the same as increasing the volume of sales and, consequently, increase in the gross income. Therefore the dynamics of the wage fund (the part deposited for observance of the delivery plan) is not linked to the dynamics of the final result.

The established policy for additional deductions into the wage fund from increments to wholesale prices for new goods with improved quality (in the amount of 15 percent for all associations and enterprises) is illogical. Enterprises differ significantly in terms of their proportion of the wage fund in the gross (residual) income. Therefore the deduction of one and the same normative proportion of increments into the wage fund will provide for varying amounts of increase: the higher the proportion of the wage fund in the gross (residual) income, the lower the increase as a result of deductions from increments will be, and vice versa.

The utilization of a single normative for the distribution of income will make it possible to coordinate the dynamics and the amount of the earned fund more consistently with the proportions envisioned in the plan (regardless of the proportion of increments in the gross income and the proportion of the wage fund in the residual income).

If one or another particular indicator for evaluating activity is especially important for a specific period of development, it can be used as a criterion for increasing the differentiation of the normative for forming the wage fund itself and when developing conditions for the utilization of the wage fund. But the general principle for forming the unified wage fund of the collective on the basis of its normative connection with the overall sum of residual gross income should be observed unwaveringly.

It should be noted that the task of constructing the principally new, highly effective economic mechanism cannot be resolved if when it is created it is "chained" to previously issued normative acts, if they are considered unshakable and one must try to "install" them in the new economic mechanism. Unfortunately, when developing the Basic Provisions for the normative method of distributing the gross income in BSSR light industry (and in all branches that have changed over to cost accounting) there has been no real departure from the old instructions. When creating a management mechanism that envisions evaluation of the results of activity and material incentives of the collective according to a unified generalizing indicator—the gross income—at the same time we have tried to maintain the majority of previously applied economic levers which are in direct contradiction to the basic principles of the new economic mechanism. Conducting such a "hobbled" experiment has shown that in it the basic rational link has been rejected—the idea of forming a unified source of payment for the labor of the collective according to a unified generalizing indicator.

#### Footnote

1. Sidorova, Zh. and Goldman, A., "Forming the Wage Fund," *VOPROSY EKONOMIKI*, No 4, 1987.

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11772

#### Individual Interests, Social Interests Subordination Issue Aired

18200221a Moscow *IZVESTIYA AKADEMII NAUK SSSR: SERIYA EKONOMICHESKAYA* in Russian  
No 2, Mar-Apr 88 (signed to press 22 Feb 88) pp 28-36

[Article by G.M. Prokhorov: "Interests—An Important Factor for Accelerating Development and Restructuring of the Economy"]

[Text] The role played by interests, as a factor for accelerating restructuring and economic growth during the modern stage in the development of socialism, is being reviewed. Opinions are being expressed regarding the problems in this area and the possible approaches for solving them.

The implementation of the strategy outlined during the April (1985) Plenum of the CPSU Central Committee and developed during the 27th Party Congress for accelerating our country's socio-economic development requires complete and efficient use of all available resources and potential. The human factor must play a special role in solving this task, in combination with radical changes in engineering and technology. Labor productivity, the quality of output, production efficiency and all economic activity and, in the final analysis, the rates of economic growth, success in solving the social problems and the status of our country in this modern world are all dependent to a decisive degree upon man, his attitude towards work and equipment, his skill, talent and abilities and upon discipline and organizational ability.

For maximum activation of the role played by workers in accelerating socio-economic development—a principal concern according to V.I. Lenin's definition of productive force—incomparably greater expanse must be given to the factor of interests and, based upon Marxist-Leninist theory, comprehensive and profound importance must be attached to the category of interest in conformity with our modern day tasks. Success in achieving acceleration, in restructuring the economy and in other spheres of activity is largely dependent upon the degree of realization of the interests of workers at all levels and upon the utilization of interests as a factor for achieving dynamic and stable growth at a qualitatively new and higher level. The June (1987) Plenum of the CPSU Central Committee made a great contribution towards validating the role played by interests as a motivating force for economic growth and the development of other spheres of activity. The principal theoretical statutes of Marxism-Leninism, which hold that interests, as a totality of objectively existing and perceived requirements and trends "link the members of a civil society one to the other" [1, Vol. 2, Article 134], "advance the lives of people" [2, Vol. 29, Article 82] and thus they form the basis for motivating the actions of people (classes, collectives and individuals) and define their attitude towards their own activities, the results achieved and to the events taking place, were placed on a practical plane by the Plenum, which undertook to carry out the party's work in restructuring and accelerating economic and social development. Lenin's position, which holds that a new society can be built "not based directly upon enthusiasm, but with the aid of enthusiasm engendered by the great revolution and based upon personal interest and cost accounting" [2, Vol. 44, Article 151], has now become a pivotal point for implementing the party's economic strategy and restructuring.

The primary interests are those requirements considered to be most important (vital) for human life (for food, water, clothing, housing and protection from external danger). However, interests are determined not only by these requirements, the satisfaction of which takes place mainly on the basis of activity in the economic sphere.

As human society has developed, social requirements dictated by a desire for class and group solidarity, for education, for the protection of one's health, for ensuring social protection and for the use of various types of services have arisen and acquired greater importance. Ideological-political and moral (spiritual) requirements have formed and become stronger in connection with knowledge of the surrounding world and recognition of one's place in it, in the development of personality and its potential, in democracy, in freedom and fairness, in ensuring legal rights, and particularly the right to life and in intercourse and friendship among people.

Despite seeming isolation and independence, interests actually appear as a form for the manifestation of social relationships. They represent the objective attitude of society and its various classes, collectives, groups and individuals towards the conditions for the reproduction of their lives. Thus we cannot understand correctly the interests of people if we are out of contact with their place in production and in social relationships.

Under socialism, with the government belonging to the people and socialist ownership of the means of production in state (national) and kolkhoz-cooperative forms constituting the foundation of the economic system, the state has become the spokesman for national interests. The interests of the socialist state and society coincide for the most part. However, the interests of society and all of the people are considerably more extensive, more diverse and more varied than the interests of the state. In addition to the political and economic systems, an important condition for ensuring conformity between the state interests and those of society in a socialist country is the leading and guiding role played by the communist party, the high goal of which is to serve the people and to create more favorable conditions for their life and labor and for the development and flourishing of individuality. The role of the state as spokesman for the will and interests of workers, peasants and intelligentsia and workers of all nations and nationalities within the country is set forth in the USSR Constitution (Article 1). In addition to expressing the interests of society and its citizens, a socialist state must also ensure their protection and create the conditions required for realizing their interests.

Considerable importance is attached to the question of subordination of interests. The predominance of state (national) ownership and the task of ensuring the integrity of and protection for the high social values and the Soviet life style predetermine the decisive superiority (priority) of the interests of society (represented by the state) over the interests of departments, individual regions, collectives, groups and individuals (citizens), but do not oppose them. Moreover, only consistent support for the interests of society as a whole can serve as a reliable basis for realizing the interests of individual layers of society, collectives, population groups and

citizens. Daily practice has convincingly shown that a priority of interests for society as a whole is the very first condition for satisfying personal and collective requirements.

However, it does not follow from the above that the contradictions between the interests of individual persons and groups and the interests of society have disappeared. Socialism, as noted in the report delivered by the General Secretary of the CPSU Central Committee M.S. Gorbachev during the June (1987) Plenum of the CPSU Central Committee, is eliminating the antagonism of interests, but this is not the same as unifying or equalizing them. Contradictions between the interests of various population groups, collectives, departments and organizations truly exist (see [4, Article 10]). There have been frequent instances in which the interests of individual citizens, groups and the collectives of enterprises and institutes, rayons and departments have been satisfied to the detriment of overall interests and there were manifestations of individual, group and local egoism and a desire to achieve one's own interests at the expense of the common interests and to snatch more from society. This is why, in the Political Report delivered by the CPSU Central Committee to the 27th Party Congress, the number of urgent tasks included that of ensuring an "unconditional priority to public interests over the interests of branches and regions (see [3, Article 40]).

Under socialism, the placing of emphasis upon national interests does not signify an infringement upon or an attempt to ignore personal, local or other specific interests but, to the contrary, it underscores the need for ensuring a priority of interests for the nation as a whole in all areas (national-state); at the same time, this will serve as a guarantee for realizing personal, collective, local and other specific interests. At the same time, the realization of collective and personal interests is more and more becoming the principal means for satisfying public interests. Priority importance is attached to the merging and interaction of the various interests. In the new wording of the CPSU Program, emphasis is placed upon the fact that improved administration must ensure an "optimum combination of personal interests and the interests of labor collectives and various social groups with the all-state and national interests and in this manner they will be employed as a motivating force for economic growth [3, Article 147].

Interests are not assigned a permanent or simple value. They change as society develops and as growth takes place in the production volumes and levels and, it follows, in the social and individual requirements. The interrelationship and interaction between economic growth and production relationships and interests are constantly being uncovered. The action of the law governing raised requirements is constantly being affected by this. However, it is only under socialism that objective principles are created for the establishment of a direct link between growth in production and the degree of satisfaction of requirements and the realization of

interests. The latter appear as the motive power for the development of and improvements in production and production relationships and this in turn is an important condition for the best realization of interests. Thus, economic relationships cannot be separated apart from interests which not only form but also serve as a type of motive power for the development of economic relationships.

#### Manifestation and Realization of Interests

The interests of people are formed and are manifested and realized in a specific historical community and they develop together with it and serve as an important stimulus for human activity.

During this modern stage, the principal economic interest of a socialist society, one which simultaneously has a broad spectrum of social and political aspects (not only internal but also international), is that of a basic acceleration in socio-economic development, scientific-technical progress, high quality changes in the national economy and an increase by means of this in national income and wealth as the totality of material blessings. In turn, this constitutes a real source and prerequisite not only for further growth in material well-being but also for raising the cultural and spiritual level of the people, improving living and working conditions and the comprehensive development of the personality of each individual and these are the factors which define the goal of socialist production. Here we have in mind improvements in the quality of life, improvements which are not simply limited to material comfort but rather which include such important elements as social protection and fairness, full employment, democracy, a favorable social and labor climate and a spirit of collectivism and comradeship. These are the same social values which first of all describe the socialist life style.

The task of achieving an acceleration in socio-economic development is inseparably associated with the realization of other social and political interests. Here we should mention first of all one particular national interest (one which at the same time is an interest of each citizen)—ensuring protection for the victories of the socialist revolution, protecting socialism against foreign aggression and the threat posed by it and ensuring the territorial integrity and inviolability of socialist countries and their sovereign right to a political and economic system and to the disposition of their own resources.

Among the primary interests of society and the peoples of socialist states, more and more attention is being devoted to protecting the surrounding natural environment. The magnitude of and growth in national wealth are largely dependent upon correct, thrifty and zealous use of natural resources, while the health of the people, a most valuable national resource, is dependent upon preservation of the forests and the purity of the water and air.



Such interests as the preservation and strengthening of friendship among nations, the further development of the democratic principles of administration and management and the creation of a moral climate which will be in keeping with the high requirement of socialist civilization have assumed increasing importance as vital requirements of our socialist society and all of its members. By virtue of their intertwining and interaction, the above-mentioned and other interests serve as stimulating motives and stimuli for adopting decisions and practical measures for carrying them out at the various levels of party and state management and in the activities of collectives and individual persons.

The question concerning the sources and means for realizing interests is considered to be a basic one. In a socialist society, where there is no room for the exploitation of foreign labor and its results, the products of the work performed by workers in material production and in the non-productive sphere serve as the chief and decisive source and means for realizing the interests of society and all of its members. In the final analysis, the degree of support for social and personal interests is dependent upon the amount, productivity and quality of their labor, upon their attitude towards work and the means of production (machines, equipment, raw materials and other materials) and upon the efficient use of time and resources.

Society can consume no more than was created by it and which remains following the formation of reserves and the funds for expanding production. The ignoring of this obvious truth leads to a slowdown in the rates of development, a weakening of socialism and to crisis situations. The volume of material blessings and other reserves at the disposal of society serves to define at any given moment the limits placed upon their use for satisfying the requirements of society and its members. However, the degree and completeness of satisfaction of requirements (accordingly interests) is dependent not only upon the available resources but also upon the level of the existing requirements (interests). Their alienation from the true situation which develops in material production aggravates the degree of social dissatisfaction. Interests are intertwined and interrelated with the economic laws of socialism. The objective nature of these laws creates the foundation required. However, they differ substantially in terms of their functions. The economic laws define the essential relationships, goals, the character of production and the principles governing the distribution of the results of labor, whereas interests form the foundation for the stimulating motives for labor activity. They force the personnel to acquire a better understanding of the economic laws and to take them into account more accurately and more completely in their practical work. It is important to note that the principal economic law of socialism and interests have not only the same goal—the well-being of man and satisfaction of his increasing material and spiritual requirements—but also the same principal means for

realizing this goal—tense, highly productive and high quality labor. Thus any weakening of labor activity causes harm primarily to the interests of the members of society.

The realization of interests is directly associated with the action of the economic law of socialism concerning wages. The principles of socialist social fairness and equality are embodied in the principle "from each according to his ability and to each according to his labor," with the distribution of the results of labor being carried out on the basis of quantity and quality. This principle reflects the same attitude of the members of society towards the principal means of production and the results of labor. Any violation of it inflicts material and moral harm upon the interests mainly of those who make the greatest contribution towards social production and the development of science, culture and other spheres. But it is not limited to these figures alone. All society loses as a result of this, since the elements of wage-levelling, which engender an attitude of parasitism among a particular category of individuals, undermine motivation towards intense and high quality labor and a creative attitude towards such labor.

The desire to realize more fully one's interests is an objective and natural manifestation of human activity and it is not in conflict with the principles of socialism or the socialist life style, when it is satisfied by means of conscientious personal labor and with no harm being inflicted upon the interests of society, an enterprise or a collective. As is the case in any social phenomenon, the dialectics of development can be clearly traced in the interests being displayed. They can serve as a factor for accelerating our development and also for retarding it; they can be a motivating force in the mechanism for acceleration and they can serve as a mechanism for holding back progress. This is manifested most clearly in the attitude towards restructuring in the economy, administration and other spheres of life and towards the radical changes with society has endured.

Restructuring has touched upon the interests of millions of people; the overwhelming majority of them have accepted it as a vital need, as the only rational solution for the prevailing atmosphere of stagnation and conservatism and as a selection for which there is no reasonable alternative. Despite the obvious need for radical restructuring and its economic and political importance for society, there are people who do not accept it and who by various means and methods and more often than not by inaction, sluggishness and indifference, stand in the way of restructuring and the achievement of its goals. The chief reason for this—lack of desire, fear of infringing upon their own personal or group interests, which are in conflict with the interests of society, and deprivation of undeserved privileges. Gospriyemka [state acceptance], which was introduced into operations in early 1987, has also not been accepted by all, despite the fact that it is completely obvious that this measure is improving the quality of output, a development which is fully in

keeping with the interests of society and all layers of the population as consumers. There are still many workers who are accustomed to working in a thoughtless manner and in the absence of proper responsibility for the quality of their work and the products being produced and *gospriyemka* is eliminating such habits. *Gospriyemka* is disliked in particular by poor workers and those who like to receive something for nothing.

Quite properly, M.S. Gorbachev labeled bureaucracy as a most malicious and dangerous enemy of restructuring.<sup>5</sup> It is known that bureaucracy has class roots in a bourgeois society and that it is encouraged by the ruling class itself, which is in opposition to the working masses. Under socialism, the class base for bureaucracy has been eliminated. However, over the course of many years it retained definite roots that have been conditioned by the command-administrative methods of control: it is still continuing to hold back our forward movement and it is complicating the lives of millions of honest workers. V.I. Lenin saw bureaucracy in the transformation of officials in political and trade union organizations that had been separated apart from the masses and in the privileged persons standing above the masses [2, Vol. 33, Article 115]. The reasons for the vitality of bureaucracy can be found in the harm inflicted upon democracy, in the inadequate openness which took place in the past and also in the special and often mercenary interests and goals of a considerable portion of workers engaged mainly in the sphere of administration and services. For them, this was a convenient form and a reliable means for asserting their place among their associates in society, for achieving their selfish interests, for obtaining and retaining advantages, for demonstrating influence and quite often for concealing incompetence and idleness.

K. Marx conditioned the possibility of eliminating bureaucracy upon combining the "general interests" with the "special interests," a combination which would guide an individual performing public service [1, Vol. 1, Article 273]. V.I. Lenin believed that the campaign against bureaucracy could be furthered on the basis of strength, flexibility and elasticity in the link between the soviets and the people [2, Vol. 36, articles 205-206]. Under our conditions, democratization in all spheres of life and openness—here then in the path which, together with restructuring of the economic mechanism, will make it possible to combine the "special" interests with the general ones, subordinate the former with the latter, achieve strong and flexible links between the soviets and the people and eliminate bureaucracy. Priority importance is presently being attached to merging the public and personal interests and to searching for and establishing correct relationships between them.

#### **Some Problems Associated With Raising the Role Played by Interests in Accelerating Socio-Economic Development**

The influence of interests as a motivating force in the productive activity of workers has been demonstrated many times. However, full use is not always being made

of the potential available in this regard. This is being held up not only by the low estimates provided in the past, in both theory and actual practice, concerning the role played by interest as an important economic category, but also by the lack of decision or only partial decisions for certain related problems. Included among them and first and foremost is the problem of radically restructuring the thought of a considerable portion of the population with regard to public (state) socialist ownership. This is understood to mean a substantial improvement in awareness of the importance of public ownership as an important basis and condition for satisfying collective and personal interests, decisively overcoming the alienation of a direct worker from public ownership, an attitude towards an object that does not have a specific owner but belongs to everyone and not to a specific worker. In many instances, socialist ownership is being used for the acquisition of unearned income. It is obvious that restructuring in this area must commence, both in theory and practice, with a change in the view of national ownership as something that is free, unlimited, homogeneous and not associated with specific subjects. Actually, each member of society is to one degree or another linked to national ownership by many threads and his well-being is dependent upon its multiplication and effective functioning.

The reality is such that within the framework of national ownership, joint owners at various levels are the subjects for relationships. The highest level is the state, which represents the interests of society as a whole. It is the general owner and has unlimited right to ownership, disposition and management in all objects of national ownership. As full owner, the state yields a portion of its right to national ownership to the ministries and departments, the local organs of authority, production enterprises, *kolkhoz-cooperative* and public organizations and to individual citizens.

Acting upon the instructions and in behalf of the state, the ministries and departments, with the framework allowed by their functions and goals, administer and handle the national property of their branch. It is on this same basis that the local organs of authority (republic, oblast, municipal and others) direct their subordinate enterprises. At the same time, production enterprises (associations) exercise the rights of possession, use and disposition of that portion of national ownership that was presented to them in the form of fixed capital, working capital and other material values and financial resources. They utilize it for economic activities. This is one form of joint ownership of national property. In the Law Governing a State Enterprise (association), it is pointed out that a labor collective, when exercising its right to use national property, creates and multiplies national wealth and ensures a union between the interests of society, the collective and each worker.<sup>7</sup> The national property which is in the possession of and being used by *kolkhozes* is represented mainly by land and forest and water resources. But the most numerous

owners of national property are the citizens themselves, since actually all of the country's national wealth belongs to them.

Thus it is necessary to achieve a situation in which (and this is the chief task) all of the owners of national property consider themselves to be, to an equal and full degree, responsible for protecting and multiplying it, in the manner befitting a truly concerned master. The solution for this task will promote the introduction of economic principles in the relationships between ministries (departments) and also local organs of administration and their subordinate enterprises (as partners in the ownership and disposition of national property), with an accurate setting forth of the rights and obligations of each side and particularly with regard to the protection and development of national property. This does not lower the importance of centralism or high state discipline, but it does raise substantially the level of management and sense of responsibility and it reduces the number of irresponsible and deliberate decisions, orders and instructions, since workers at a higher level must bear not only moral and administrative but also material responsibility for the quality of their management of subordinate enterprises and their logistical support. The Law Governing a State Enterprise (association) calls for such responsibility. Importance is attached to ensuring that this statute of the law (Section II, Article 9, Paragraph 3) is actually utilized. A need also exists for fully restoring the contractual system of relationships between workers and the administration of production enterprises and institutes and for overcoming the formalism that still persists in this area and in the sphere of services—introducing a contractual system among the enterprises and clients. With such an approach, each member of society will be fully justified in considering himself to be a co-owner of socialist property. This will necessarily have an effect on his attitude towards it, on the development of a sense of participation and, it follows, on the productivity and quality of labor. This has been borne out in particular in the practice of employing brigade, team and family contracts.

An important problem is that of uniting the interests of all participants in the production process and economic management—from a production worker to the leader of an enterprise, or an official of a ministry (department), Gosplan or Gossnab—in achieving high final production indicators (in terms of both quantity and quality); ensuring that the income and degree of realization of the interests of each worker are in keeping with the results of his labor and personal contribution to the material and spiritual wealth of society. Included among the methods for achieving this—the introduction of continuous and complete cost accounting (from a brigade to a ministry), self-recoupment and self-financing for enterprises and the collective (brigade and group and in agriculture and the sphere of services also family) contract; decisive and consistent campaign against unearned income and deception; openness with regard to the results of labor, distribution and income; improvements in the material

appreciation of honestly earned money through a balance in supply and demand and overcoming deficits. A greater role will be played by moral stimuli and the socialist competition, with the latter being characterized by honest and comradely competition (in the absence of excessive show and pretense) and consistent observance of the principle of social fairness in the utilization of social benefits.

In achieving a union of the interests of society, a collective and each worker, an important role is played by the labor collective of an enterprise and by the effectiveness of its work.

The degree of realization of interests is largely dependent not only upon society's resources but also upon the nature of the interests themselves and upon those material and spiritual requirements that they include at any given moment. Thus, in addition to efforts aimed at dynamically increasing resources, great importance is being attached to the problem of purposeful formation of interests and orienting them towards the scientifically sound and rational requirements of members of a socialist society. The requirements can and must be controlled and the interests must be formed and directed through them. In the report by the General Secretary of the CPSU Central Committee M.S. Gorbachev, delivered before the June (1987) Plenum of the CPSU Central Committee, and in decisions handed down during the Plenum, the task was assigned of cultivating and directing interests, exercising control over them and uniting personal interests with the interests of a collective and society. Towards this end, the following actions were considered necessary: to follow a consistent program aimed at ensuring that a labor collective earns the funds required for wages and social development and is able to make full use of them; to raise the interest of workers in performing more effective and better quality work; to implement scientific-technical progress in labor organization on an extensive scale and to carry out other measures (4, Article 11, 84, 106).

In the work concerned with the formation and orientation of interests, a chief instrument for controlling them under socialist conditions is that of realization of the principle: wages and other benefits according to one's labor. The formation of healthy and rational interests can promote such measures as improving the social fulfillment of plans, orienting production towards the complete satisfaction of rational requirements, expanding the material base and creating other conditions for cultural recreation, mass sports, tourism and intellectual development; skilful publicizing of the healthy socialist life style and the high value of the spiritual wealth of the personality; unyielding campaign against drunkenness, bribery and money-grubbing, the false notion concerning the prestige attached to an abundance of things as a sign of well-being and high position in society. The material and spiritual fulfillment of interests must actively promote a strengthening in each member of society of his communistic persuasion, a sense of collectivism and



comradeship, genuine patriotism and internationalism, high ideals of socialist civility and fairness and a sense of being a true master of his country. The formation of rational interests does not take place smoothly, but rather by means of an uncompromising struggle between that which is new and that which is old and preventing us from living and working. Neither neglect nor spontaneity can be tolerated in this important work. This could lead to abnormal phenomena and cause great harm. Excessive administration is not suitable here.

The task concerned with the formation of interests, owing to its complicated nature, requires the use of an all-round approach. The plans for the country's economic and social development and the social development of enterprises, the work of scientific institutes working on these matters and the efforts of the mass information media (press, radio and television), trade union and youth organizations and voluntary societies and leagues must all be directed towards achieving this goal. The measures needed in this regard should be united in a special purpose program, based upon a long-term strategy conceived as a part of the party's economic and social strategy.

An important and vital problem continues to be that of combining an improvement in the degree of support for interests with qualitative growth in production and an increase in requirements with an increase in the potential for satisfying them. Included among the means for achieving this, in addition to the introduction of modern equipment and technology and scientific labor organization, priority attention is being given to improving the distribution relationships, such that wages will fully take into account its quality differences and all expenses associated with training personnel for carrying out work of a definite level and quality.

An expansion and improvements in the effectiveness of foreign economic activities and a basic solution for the problems existing in this area can promote the realization of the interests of society and workers. They include the following: dynamic development of export production and an improvement in the quality of goods destined for the foreign market, greater interest by workers attached to production enterprises (associations) and industrial ministries in achieving high final results in their foreign economic activities and the effectiveness of export and import operations, technical assistance and other services in the development of cooperative forms of collaboration and other relationships. Special importance is being attached to ensuring interest by all participants in the successful carrying out of the All-Round Program for Scientific-Technical Progress for CEMA Member States up to the Year 2000, which is expected to raise these countries to leading positions in the more important priority trends in science and engineering. Decrees adopted in August 1986 by the CPSU Central Committee and the USSR Council of Ministers on improving foreign economic activities are directed towards solving these problems. Progress along the road

to restructuring and acceleration is raising substantially the international prestige of the Soviet Union and it is promoting an expansion in its participation in the worldwide division of labor and collaboration, an improvement in mutual understanding, a strengthening of trust among people and countries, a weakening of tension and the preservation of peace.

The role played by interests in accelerating development will increase during the course of restructuring the party's personnel policies in light of the directions handed down during the 27th congress and the decrees of the January (1987) Plenum of the CPSU Central Committee. Some measures planned in this regard—introduction of the election of leaders of enterprises and production operations and other administrative-economic workers; expansion of the practice of competitions for the replacement of leaders and specialists; certification of leading personnel and the unfolding of socialist democracy. "The essence of restructuring" stated M.S. Gorbachev, "lies in the fact that it unites socialism and democracy and it fully restores, both theoretically and from a practical sense, the Leninist concept of socialist construction."<sup>6</sup>

Comprehensive accountability during the process of restructuring the interests of broad layers of workers, who have adopted it as their own basic work, will attach new dynamism to the Soviet economy and to the development of other spheres of activity and this in turn will expand the opportunity for realizing interests. The solving of these and other problems associated with the realization of interests will raise the labor activity of people, the productivity and quality of their work and instill in them a more responsible and thrifty attitude towards national property and national wealth. All of this serves to raise the importance of interests as a factor for accelerating economic and social development, for satisfying more completely the material and spiritual requirements of all members of society and for consolidating socialism.

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7026

## PLANNING, PLAN IMPLEMENTATION

### Formation of Enterprise Normatives in 13th FYP Discussed

18200244a Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 6, Jun 88 (signed to press 23 May 88) pp 79-89

[Article by E. Figurnov, Doctor of Economic Sciences: "Planning of Economic Norms for 13th Five-Year Plan (Functions and Methodology)"]

[Text] A strengthening of the restructuring process, the methods for which will be discussed during the 19th All-Union CPSU Conference, is associated very closely with the creation of a complete system of planning. A special role will be played in it by long-term economic norms. As pointed out in the Principal Statutes for a Radical Restructuring of the Economic Administration, approved during the June (1987) Plenum of the CPSU Central Committee, economic normatives, in addition to prices and credit rates, constitute the chief instruments for planning work and the principal levers for planning organs to exert an influence on enterprises and to motivate them into working in the interests of society and achieving the special goals of a plan.

The economic normatives for state enterprises which are in effect at the present time are still not carrying out this role fully. They were calculated based upon indicators for an approved five-year plan, which in turn was prepared mainly on the basis of the old managerial practice, which did not take into account the statutes of the June (1987) Plenum of the CPSU Central Committee. This situation should be corrected when computing the economic normatives for the future five-year plan.

Deserving of special emphasis is the fact that the economic normatives can serve as a chief lever for promoting economic interest among enterprises in achieving more efficient management. It should be borne in mind that in the absence of a correct determination of the economic normatives, this role cannot be performed by control figures, state orders or by state tasks. Control figures serve as a reference point for enterprises; they inform them regarding society's requirements and the minimal levels of production efficiency. By themselves, control figures do not contain any direct motivating

stimuli for improved management. State orders, despite the fact that they define an important part of the production program of enterprises, nevertheless do not exert a decisive influence upon growth in production efficiency. Economic enterprises constitute a lever for exerting influence on enterprises and their labor collectives, a lever which economically stimulates the efficient use of resources and established a direct relationship between the final results of economic activity and the cost accounting income of a collective.

In order to actually carry out this role, the economic normatives must be established for the enterprises prior to the preparation by them of their five-year plans and they must not be changed throughout the course of the 13th Five-Year Plan.

For the purpose of coordinating the interests of society and enterprises, great importance will be attached to the normatives for interrelationships with the budget. In conformity with the USSR Law Governing a State Enterprise (Association), each enterprise is obligated to participate in the formation of the state budgetary income. The normatives for the distribution of profit or income between an enterprise and the budget are intended for ensuring equally tense state requirements with regard to the use by enterprises of productive capital and labor and natural resources.

The payment for productive capital is made in accordance with a form that is uniform for all enterprises. The payment for labor resources must reimburse the state for its expenses connected with the training of man-power and the socio-cultural and municipal-domestic services for workers and members of their families. For the use of natural resources, a differential rent conditioned by the difference in the natural productivity of these resources should be collected.

In addition to payments into the budget for resources, a tax must be imposed upon the computed profit (or computed income) of enterprises remaining after payments have been made for resources and for credit percentages.

The profit remaining after payments into the budget and to a higher organization and also percentage payments for credit is that portion of the income in the first form of cost accounting (based upon a normative distribution of profit) which is placed at the disposal of the enterprises. In the case of the second form of cost accounting (based upon the normative for the distribution of income obtained following reimbursement from the earnings of material expenditures), this portion of income forms the cost accounting income of a collective.

The stimulating role played by the norms for the distribution of income or profit is conditioned precisely by the fact that the cost accounting income or profit placed at the disposal of an enterprise is residual in nature. In order to increase the income or profit, an enterprise must

satisfy more completely the demand of the consumers and utilize in a more economic and thrifty manner its material expenditures, productive capital and labor and natural resources. In turn and for the purpose of satisfying the increasing requirements of consumers for high quality products and a savings in resources, scientific-technical progress must be accelerated.

The system of economic normatives for achieving this goal must ensure the principle of genuine earning of cost accounting income by all labor collectives. The better enterprises work, the greater will be their cost accounting income and economic incentive funds and conversely. In other words, the economic normatives must ensure the action of the principal stimulus for complete cost accounting—obtaining more cost accounting income as a result of better operational results. In the process, cost accounting income must be the result of creative efforts on the part of a labor collective and not of other factors. Rental payments and payments into the funds make it possible to separate this portion of the profit, which is formed when an enterprise has better natural resources or more progressive equipment, from that profit which is not dependent upon equipment or natural resources.

The measures outlined during the June (1987) Plenum of the CPSU Central Committee for radically restructuring the economy are making it possible to achieve during the 13th Five-Year Plan equally tense economic normatives and unified requirements for society with regard to the economic work of any enterprise. The price reform has as its goal that of bringing the prices closer to the socially needed expenditures for the production and sale of products. The development of wholesale trade and an expansion in the sphere of activity of contractual prices will enable enterprises to direct their activities to satisfying more effectively the needs of consumers. Under these conditions, deviations from the unified normatives must be the exception and not the rule.

The experience of the current five-year plan has shown that the establishment of different economic normatives for enterprises is opening up the road for subjectivism and for a desire on the part of economic executives to achieve more profitable normatives. As a result, a collective which operates more efficiently does not necessarily find itself in the best position. Collectives which achieved lowered economic normatives realize unjustified advantages. The individualization of economic normatives would convert them essentially into a special type of address tasks, it would eliminate the possibility of economic competition between enterprises and it would preclude the possibility of achieving the goals of the economic reform.

As a rule, the normatives for payments for resources used are the same for all enterprises. Only in this instance the normatives will orient enterprises towards the efficient use of productive capital and labor and natural resources and ensure equal incentives for identical effectiveness in their use.

It is our opinion that a normative payment rate for productive capital on the order of 6 percent would satisfy these requirements. As a minimal normative for the effectiveness of use of funds, it would cut off all investments with a profitability of less than 6 percent. In order to ensure the interest of enterprises in earning and using internal resources, the interest percentage for credit must be more than 6 percent. In the case of fixed productive capital, this payment should be collected for each ruble of complete replacement value of the capital. Another proposal was unacceptable: to establish a payment for fixed productive capital in percentages of the residual replacement value, since it does not reflect the true relationship between the capital-labor ratio and labor productivity.

Let us examine an example of such a variant. Two sovkhoses use the same land and the same tractors, but the first uses new tractors and the second—tractors that have been in operation for five years. For an 8 year service life for the tractors, the residual value of the capital for the first sovkhos will be greater by a factor of two than that for the second sovkhos. For an identical amount of work, both sovkhoses will receive the same amount of profit, but they will make different payments into the budget and this is in conflict with the principle of equally tense economic normatives. The differences in productivity and other consumer properties of the machines, equipment and other fixed capital, under the conditions imposed by the new methodology for price formation, will be taken into account in the prices. More productive machines, equipment and other capital will be more expensive than less productive items of equipment. Thus a unified payment for each ruble of complete replacement value for productive capital is justified.

At the present time, the fixed productive capital of enterprises is reflected in an accounting according to their balance value, which represents the replacement value, under the conditions of the last revaluation, for the fixed capital placed in operation prior to the revaluation and the complete initial value of the capital placed in operation following the last revaluation. Thus the next revaluation is needed for carrying out the unified and equally tense requirements for the use of fixed productive capital.

The second resource payment—for labor resources—must provide reimbursement for the state expenditures for man-power training and for social-cultural and municipal-domestic services for workers and members of their families. Approximately computations reveal that the state is spending approximately 600 rubles per worker annually for these purposes. This sum includes the expenses being covered today by means of withholdings for social insurance. It appears that two types of payments should necessarily be included in the system of interrelationships between enterprises and the budget: for social insurance and for labor resources. First of all, and this is a chief consideration, any payment into the



state budget within the system of complete cost accounting must not only reimburse the state for its expenditures, but in addition it must stimulate the efficient use of resources. In other words, distribution must stimulate production. When expenditures are collected for the above-mentioned purposes proportional to the number of workers, an enterprise is motivated into carrying out its work volume with a minimum number of personnel. When withholding expenses for social insurance proportional to earnings, this effect is not achieved. True, withholdings which are proportional to earnings are more preferred from a financial standpoint for the state budget, since their amount increases with growth in the wage fund. However, this advantage cannot withstand comparison against the true stimulating effect of withholdings which are proportional to the number of workers. In order to achieve an approximate correspondence between the volume of payments for labor resources and the volume of resources in the state budget for the mentioned goals, the rates for payments for labor resources must be changed once every 5 years simultaneously with the price revisions. Secondly, the inclusion of withholdings for social insurance in the payment for labor resources simplifies accounting for the second form of cost accounting.

The stimulating function of a payment for labor resources requires its differentiation by regions of the country depending upon the tense nature of the balance in labor resources, as is already being done during the current five-year plan. In regions having adequate labor resources, the payment for them must be greater than in regions where there are surplus labor resources. In this instance, stimuli will be created not only for an additional release of man-power in regions suffering from a shortage of labor but also for the placement of labor-intensive production operations in regions marked by a surplus of labor.

Rental payments are a means for creating identical starting conditions for obtaining cost accounting income by collectives which are applying identical efforts but which have been allotted different types of natural resources. This payment is for land, minerals, water and others. It is not collected from the worst resources which society is forced to use during the 13th Five-Year Plan. For all other types of natural resources, the rental payment is equal to the additional profit obtained from a unit of a more effective natural resource under normal, that is, average conditions for its use. Thus a payment for natural resources is an instrument for achieving social fairness in the development of cost accounting income for enterprises which use natural resources of different quality and from different locations.

The computed profit remaining after payments for resources is subject to distribution among the state, the higher administrative organ and the enterprise. If

through a payment for production resources all enterprises were placed under identical conditions with regard to the creation of computed profit, then an identical rate for them both for the tax for computed profit, withdrawn for the budget, and for withholdings for the centralized fund and reserves of the higher organ would be socially fair. In such a case, the normatives for the tax and withholdings would be fixed proportions of the computed profit.

During the 13th Five-Year Plan, we will scarcely succeed in achieving fully equal conditions for obtaining computed profit for all enterprises. Obviously, a different computed profitability for enterprises will be the result not only of successful or unsatisfactory work but also of those objective conditions which still do not lend themselves to accounting through payments for resources (product shortages, monopolistic status of some enterprises, disparity in an evaluation of fixed capital in terms of their true value and others). Under such conditions, use should ideally be made not of a single normative for withholdings from computed profit for the budget and the centralized fund of a ministry, but rather of a tax scale for these payments and one which calls for an increase in withholdings for the budget and ministry, as computed profit increases, per individual worker. As a result, the better the work performed by an enterprise, the greater will be the residual profit which it will realize. In this manner, interest is created among the collectives in raising production efficiency through efficient management.

Unified normatives should ideally be employed for the distribution of profit remaining at the disposal of enterprises. Only the use of unified normatives will bring an end to the critical comments which we are hearing today regarding certain unfair normatives. Labor collectives are more frequently comparing themselves with their neighbors. For example, when for one of them the normative for withholdings for the social development fund is established at 40 percent of the residual profit and for another 20 percent, then it is difficult to convince the latter that such an approach is fair.

#### **Methodology for Coordinating Economic Normatives With the Principal Proportions for the 13th Five-Year Plan.**

The economic normatives in the system of indicators for the 13th Five-Year Plan, as effective instruments for planned operations, must ensure the achievement of important proportions in the distribution of national income, as outlined in the Principal Trends for the Country's Economic and Social Development. Such correspondence is required for the planning of wages and expenditures for production and non-production savings and for social development and administration. For computing the normatives, the volume of future national income should ideally be distributed for the following types of expenditures (conditional data, in billions of rubles for one year of the five-year plan):

National income	800
Wages in material production	340
-Including:	
-earnings	300
-material incentive fund	40
Taxes from material production workers	30
Production savings	100
-Including by means of:	
-state budgetary funds	60
-centralized funds for development of production, science and engineering and reserves of ministries and departments	20
-funds for development of production, science and engineering of enterprises	20
Non-production savings	100
-Including by means of:	
-state budgetary funds	70
-of which amount, at enterprises in the sphere of material production	5
-centralized funds for development of production, science and engineering and reserves of ministries and material production departments	5
-funds for social development of enterprises in the sphere of material production	25
Current expenditures for socio-cultural measures and social insurance	150
-Including for workers:	
-material production	100
-of which amount, by means of funds for the social development of enterprises	30
non-production sphere	50
Budgetary appropriations for administration and defense and other expenditures from national income produced, not included in savings	140

The mentioned model program for the distribution of national income is based upon important national economic proportions, particularly the ratio for the consumption and savings funds. In this program, the consumption fund constitutes 75 percent of the national income. A detailed breakdown of the savings fund must reflect the special purpose nature of the availability of resources from this fund: through the state budget, centralized funds of ministries and departments and the enterprises themselves.

It is our opinion that the principal portion (roughly 60 percent) of the production savings should be concentrated not at the enterprise or branch levels but rather at the state level, so as to permit the required structural changes in the economy and the construction of new enterprises. Moreover, a portion of the state funds (and if necessary, all of them) should ideally be allocated in the form of credit. A small portion of the savings fund remains for active enterprises for use in expanding production. For the purpose of effective investments, they should be allowed to make extensive use of credit. This is generally considered to be a wise policy, since during its implementation a smaller portion of the fund for production and non-production savings is assigned to the enterprises and branches. Another matter entirely is that of amortization deductions. They are intended for the simple reproduction of funds and thus they must remain entirely within the limits of the branches.

Similarly, the economic policy for the future five-year plan is being reflected in other areas of the mentioned distribution of national income, particularly the dynamics for wages in material production. In order to avoid a disparity between population income and the availability of consumer goods and services, it must grow more slowly (in our opinion, with a coefficient of 0.8-0.9) than growth in national income.

The mentioned grouping of expenditures, carried out by means of national income, makes it possible to convert over to the formation of economic normatives that in turn enable the national economy and the state budget to finance and carry out these expenditures. Let us assume that a payment into the productive funds, collected at the rate of 6 percent, amounts to 120 billion rubles; a payment for labor resources, collected at a rate of 600 rubles in regions in which there is a shortage of labor and 500 rubles in regions with a surplus of labor amounts to 58 billion; differential rent—40 billion; turnover tax from enterprises in the production sphere—40 billion rubles. Since the overall total of expenditures from the budget for savings, socio-cultural measures, administration and defense in our example amounts to 390 billion rubles, then the difference between this amount and payments into the budget for resources and also taxes from workers in material production will amount to 102 billion rubles. They must be obtained by means of a tax on computed profit (income), paid out on a progressive tax scale, the methodology for the formation of which will be examined further.

The indicators for the distribution of national income make it possible to determine the basic resource amounts for the formation of economic incentive funds, which will ensure a unified approach for each labor collective. It can be stipulated immediately that a unified approach does not exclude a certain amount of differentiation, which will be discussed below.

A calculation of the basic and uniform (for all) amount of resources in the economic incentive funds per worker would reflect a more fair social approach. Thus the basic amount of resources for production savings and the funds for the social development of enterprises is calculated by dividing the volume of the respective funds (in the mentioned distribution of national income) by the number of workers in material production, accepted conditionally equal to 100 million individuals. We obtain respectively 200 rubles (for production savings) and 550 rubles (for social development).

Usually there is no doubt concerning the fact that the same rate for the basic amount of resources in the funds for social development for a worker, obtained under normal managerial conditions, is socially fair. With regard to the fund for the development of production, science and engineering, a single rate for withholdings proportional to the production funds can be advanced as an alternative variant. However, it should be borne in

mind that when forming the mentioned economic incentive fund, similar to the others, we have in mind the right of a collective to dispose independently of the fund for savings. For society, all rubles used for the formation of a savings fund must have the same value. It would not be fair to extend to two kolkhozes having the same number of personnel different rights with regard to the disposition of their savings, simply because the amounts in their production funds differ.

The approach which we have examined for establishing unified norms can be realized more completely if the average branch price levels are developed in conformity with them. At such a time, the model for the average branch price level (less turnover tax) for our arbitrary example will appear as follows:

$$T_s = C + 123T + 0.6F + 580T + P + 1020T + 250T + 200T + 550T = C + 0.06F + (12Z + 2600)T + P.$$

where  $T_s$  is the value of the branch's output in projected prices;  $C$  is the material expenditures in projected prices;  $T$  is the number of branch workers;  $Z$  is the planned average monthly wage for one branch worker;  $F$  is the complete replacement value for productive capital;  $P$  is the rent;  $123T$  is the branch wage fund;  $0.6F$  is the payment for the productive capital;  $580T$  is the payment for labor resources;  $1020T$  is the tax on computed profit;  $250T$  is the withholdings for the centralized fund for the development of production, science and engineering and also reserves;  $200T$  is the funds for savings, transferred over to the funds for the development of production, science and engineering of the enterprises; and  $550T$  is the funds for the social development of enterprises.

#### Unified and Equally Tense Normatives for Enterprises

The operational results achieved from coordinating the economic normatives with the principal proportions for the 13th Five-Year Plan and their inclusion in the price plans will enable USSR Gosplan, in early 1989, to provide the ministries, departments and union republics with unified norms for all of the enterprises.

In the case of a fund payment, a rate of 6 percent could be such a normative, excluding branches in which a payment based upon a lower normative was taken into account in the price. A payment for labor resources would be differentiated by regions depending upon the tense nature of the balance in these resources.

The unified normatives for the distribution of profit remaining at the disposal of enterprises employing the first form of cost accounting are computed based upon the initial rates for the formation of economic incentive funds, calculated during the stage of coordinating the normatives with the proportions for the 13th Five-Year Plan. For the national economy on the average and in conformity with the arbitrary example, the initial rate for withholdings from profit for the fund for the development of production, science and engineering equals

200 rubles per worker, withholdings for the fund for social development—550 and withholdings for the material incentive fund—400 rubles. Accordingly, the unified normatives for withholdings in percentages of the profit remaining at the disposal of the enterprises will amount to 17 and 35 percent. The proportion of the material incentive fund compared to the overall volume of wages during the current five-year plan will differ in the various branches and the average monthly wage will vary. Thus a definite differentiation of these normatives by national economic complexes and large branches is possible. However, it cannot be linked to the operating conditions of a particular enterprise, but rather it must be based upon the initial rate for the average monthly wage for one worker and upon planning for the proportion in it of withholdings from the material incentive fund.

The unified normatives for distributing the cost accounting income of enterprises which employ the second form of cost accounting are also determined based upon the initial rates for the average annual wage of one worker (in the arbitrary example—3,400 rubles), withholdings from cost accounting income for the fund for the development of production, science and engineering—200 rubles, withholdings for the fund for social development—550 rubles. Accordingly, they amount to 5 percent for the fund for the development of production, science and engineering and 13 percent for the fund for social development. Since the plans for the average annual wages are differentiated by inter-branch complexes and branches, the numerical values for the normatives for the formation of these two funds for them will differ. However, they will be based upon unified rates for the withholdings per worker, derived from the principal proportions for the 13th Five-Year Plan.

In the case of the first cost accounting form, the enterprises must be supplied with a normative for the formation of the wage fund. It is generally recognized at the present time that the mechanism for the formation of this fund, which motivates a collective to earn all of its resources, must be directed towards resource conservation and it must take into account a savings in or an overexpenditure of material expenses. Towards this end, the wage fund should be formed in accordance with the normative for net output. Compared to other normatives which are stable for all years of the five-year plan, this one ensures slower growth in wages compared to an increase in net output. Only if this is the case will it be possible to avoid in the national economy a disparity between population income and the degree of market saturation by consumer goods and services. In our opinion, a normative for wage formation can be achieved with the aid of a normative for the ratio between the rate of growth in wages and the rate of growth in net output.

The following objection is usually raised against an increase in the formation of the wage fund normative. Since the basic wage fund includes not only the socially normal expenditures for wages but also expenditures caused by unsatisfactory management and backward



labor organization, those who work poorly during the base year will realize an advantage while those who perform better will be unfairly ignored.

In principle, this objection is a fair one. However, proportional normatives (in percentages of net output) cannot be stable. In order to achieve leading growth in labor productivity compared to growth in average wages, they must decline by years and quarters of the five-year plan. Moreover, the normatives will be individual for enterprises which produce the same product under different natural conditions and under different capital supply conditions. For example, on fertile lands and with the same labor expenditures, a better harvest will be obtained than from poor lands and, it follows, more net output. From an objective standpoint, the proportion of wages cannot be equal in all areas. A similar situation prevails in the case of differing capital supply conditions. In the second cost accounting model, additional profit (income) is withdrawn through a payment for the funds and natural resources up to the formation of the wage fund and thus a similar problem cannot arise here. Hence, proportional normatives for the formation of the wage fund cannot be unified for national economic complexes or branches. Under these conditions, growth (for growth in net output) normatives for formation of the wage fund that are unified for the national economic complexes or large branches should ideally be established for the first model. At the same time, a method should be developed for correcting the basic wage fund for the purpose of excluding from it those expenses caused by shortcomings in the organization of labor at enterprises.

On the whole, wages in material production increase more slowly than does national income and labor productivity at enterprises, computed according to net output, grows more rapidly than the average wage for a worker. Thus the normative for the ratio between growth in average wages and its productivity must be established for all enterprises both for the first and for the second cost accounting forms. If the mentioned normative is exceeded, then the appropriate portion of the material incentive fund for the first cost accounting form and the wage fund for the second cost accounting form should be reserved. The reserve created can be used for wages when the normative is achieved or it can be transferred over to the fund for social development with the consent of the labor collective.

The remaining two budgetary payments and the withholdings for the ministry, as indicated above, should ideally be withdrawn according to a tax scale which satisfies the requirements mentioned earlier.

For its preparation, a determination is made as to the computed profit (computed income) created by one worker attached to the national economic complex for which the scale was computed. In our arbitrary example, this computed profit equalled 2,420 rubles and the computed income—5,420 rubles. Subsequently, the average tax rate for the computed profit (income) is computed as the quotient obtained from dividing the absolute amount of payments from computed profit (income) for the budget and ministry by the overall amount of computed profit (income). In our example, it equalled  $1,270 : 2,420 = 0.525$  for the first cost accounting form and  $1,270 : 5,420 = 0.234$  for the second.

The maximum value for the per capita computed profit or income is determined, a value which for social reasons should not be taxed. In our opinion, for the next five-year plan such an untaxed value could be the per capital computed profit equal to 30 percent of the rate for withholdings for the economic incentive funds, or in the example:  $0.3(200 + 550 + 400) = 345$  rubles. For the second cost accounting model, the per capita computed income could be equal to 60 percent of the rate for cost accounting income, or in the example:  $0.6(3400 + 200 + 550) = 2490$  rubles.

Progressive tax scales are developed based upon these values.

Thus, for our example, the principal scale values would have the values shown in the table.

With growth in the per capita computed profit from the untaxed value (345 rubles) to the average tax normative, an increase will accordingly take place in the average value for the computed profit (2420 rubles) in conformity with the tax for a normal operating enterprise (1270 rubles per worker). With further growth in the computed profit produced per worker, the tax rate increases. However, it increases in a manner such that the total amount of residual profit for a worker becomes greater as the computed profit increases in value.

Computed profit for worker, in rubles	Normative tax for computed profit for budget and centralized fund of ministry, percent		
	Overall	For budget	For ministry
Up to 345	0.0	0.0	0.0
500	10.0	8.0	2.0
1000	20.0	16.0	4.0
2420	52.5	42.2	10.3
3000	55.0	44.2	10.8
4000	60.0	48.2	11.8
and others			

The overall normative for the tax on computed profit is divided by the normative payment into the budget and the normative for withholdings for the centralized fund of the ministry, proportional to the amount of withholdings for the budget from computed profit and withholdings for the centralized fund of the ministry, compared to the overall volume of these withholdings for the branch as a whole.

Similarly, a scale is arranged for the tax on computed income. The approach studied for its formation will make it possible to ensure action of the principle of earnings of economic incentive funds by all enterprises. In the process, they will introduce the same proportion of their computed profit (income) into the budget and the ministry's centralized fund.

In addition to the normatives for the distribution of net output (income), a normative for amortization deductions for the fund for the development of production, science and engineering at an enterprise is established for the enterprises. Economic responsibility within the branch for the use and simple reproduction of fixed capital is borne by the enterprises and not by the ministry. Thus the system for utilizing the amortization deductions of any enterprise must enable a labor collective to place them in operation whenever it considers such action necessary. If an enterprise is new and does not need a full volume of amortization deductions during the 13th Five-Year Plan, the collective may be given a guarantee that the amortization deductions withdrawn may be returned to them within the mentioned period. The irretrievable withdrawal of amortization deductions is tolerated only in exceptional cases, for example at enterprises which are subject to liquidation in conformity with established requirements.

For the overwhelming majority of enterprises, the normative for amortization deductions for the fund for the development of production, science and engineering is equal to 100 percent of the amortization for the complete replacement of fixed capital. At the same time, contractual relationships should be introduced into managerial practice which would allow enterprises to turn over to the ministry, on a returnable basis, amortization deductions which are temporarily not in use.

#### **Economic Normatives for Unprofitable and Low Profitability Enterprises**

The system of unified economic normatives under review imposes stern requirements with regard to the effectiveness of enterprise management. Each one is obligated to make payments into the budget for resources. In conformity with the tax scale for computed profit (income), an enterprise is released from budgetary taxes and withholdings for the ministry only when there is a small amount of residual profit (small cost accounting income). Enterprises the computed profit of which equals zero or less than zero are for all practical purposes bankrupt. What must be done for such enterprises?

Following the introduction of new prices, the reason for their bankruptcy (low profitability) became unsatisfactory management but not the deviations in the prices from the socially necessary expenditures. Obviously, the reasons for the mismanagement in a broad sense had to do not only with the losses, non-productive expenditures and poor organization of production and labor in a labor collective but also with the mistakes of the past—obsolete plans, untimely modernization and others.

Obviously, we must not tolerate in the future such an attitude towards national property and measures must be undertaken aimed at achieving profitable operations by the appropriate enterprises. The program for financial normalization, which calls for their reorganization or liquidation in the proper situations, will serve this purpose.

A question arises: what funds must be used by these enterprises for making payments into the budget for resources used and what funds can be used for carrying out their financial normalization?

During the current five-year plan, the prices on the whole are still not in keeping with the socially needed expenditures and the formation of the normatives is being carried out by the ministries. Unprofitable and low profitability enterprises are being released from having to make payments for resources. Accordingly, profitable enterprises are making payments into the budget at higher normatives. In essence, such practice is nothing more than a redistribution of the income of leading enterprises in favor of backward ones and this leads to the individualization of normatives and, most important, to the development of parasitism and a weakening of the responsibility of ministries for their operations. It is no secret that many poorly performing enterprises, with the aid of subsidies, have formed fully their own economic incentive funds. At the same time, the best enterprises have been deprived unjustifiably of funds which they earned and which are needed for raising their production efficiency.

Obviously, another economically more sound approach for unprofitable and low profitability enterprises will be approved for the next five-year plan. Payments must be introduced for the ministries by means of the centralized fund and reserves. Under conditions in which withholdings for this fund are limited by the normative established by the ministry itself and by USSR Gosplan and USSR Minfin, such a system will reduce substantially the freedom to adopt inefficient decisions by the ministry's staff and force it to concentrate attention on practical improvements in the work of unprofitable and low profitability enterprises. Only two principal paths remain for correcting the situation: provide rapid assistance to a collective in getting back on its feet and, if this is not possible, liquidating the enterprise and transferring its productive capital over to other collectives which

are performing in a more efficient manner. Budgetary funds can be employed in some instances for the purpose of eliminating unprofitable operations.

The approach examined for the formation of economic normatives will make it possible to achieve observance of the USSR Law Governing an Enterprise during the 13th Five-Year Plan. Unified and equally tense normatives are being established for all state enterprises of the respective national economic complexes. The earning principle for economic incentive funds will be ensured fully by all enterprises and the better they operate the greater will be their economic incentive funds. Surplus income formed not as a result of efforts by a labor collective during a given year but rather owing to objective production factors is withdrawn through a payment for funds and natural resources and also with the aid of a progressive tax scale for computed profit (income). Ministries and labor collectives which are operating poorly and also low profitability enterprises are enjoined to eliminate rapidly their unprofitable status and to achieve proper managerial efficiency.

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7026

## INVESTMENT, PRICES, BUDGET, FINANCE

### Different Price Formation Models, Problems Examined

18200217 Moscow *EKONOMICHESKIYE NAUKI* in  
Russian No 5, May 88 (signed to press 12 Apr 88)  
pp 25-35

[Article by Viktor Mikhaylovich Kim, candidate of economic sciences: "Problems in Price Restructuring"]

[Text] In accordance with the aims of the 27th CPSU Congress and the June (1987) Plenum of the Central Committee of the party a new economic mechanism, which should be put into full operation during the 13th Five-Year Plan, has begun to be established in the country. A radical reform in the price system, on whose efficiency the success of renewal of economic life as a whole and of the transition to economic methods of management will largely depend, is one of the most crucial and complex areas of this work. I would like to express by way of discussion my views of a number of matters concerning price restructuring put on the agenda by the course of its present stage.

### Central Task of the Reform in Price Formation

It is now a matter of an interconnected restructuring of our entire "price economy." "All types of prices and rates should be revised comprehensively and an organic link

among wholesale, purchase, and retail prices and rates should be ensured."<sup>1</sup> Problems of the price model, subsidies, and logic of the price reform are the most urgent at the present stage.

*On the price model.* A planned price model based on sectorial production costs was in effect during the 1930's-1960's. The profitability standard was set at the rate of 3 to 5 percent of the production costs during the initial period of price introduction. In the course of the reform in wholesale prices and rates in 1967 the profitability standard in the price began to be determined according to another principle (according to the ratio to the value of fixed productive and material circulating capital) and was set at the rate of 15 percent. The existing price model has been actively criticized recently, being called the expenditure model in the sense that it stimulates an increase in expenditures in the national economy. The cardinal nature of the forthcoming price reform again gave rise to a fundamentally important question: What is the base for the price of a commodity—expenditures on its production, or the effect from its consumption?

A great deal is now being said about the "antiexpenditure price." This is a justified protest reaction against basing prices on actual expenditures of commodity producers, that is, a situation when society "blessed" almost any expenditures by means of the price. With all the fairness of the indicated protest reaction, of course, it is impossible to assume that some "expenditure-free prices" can exist. They are in no way less fantastic than a perpetual motion machine.

The theory of the "effect price," according to which, when forming a price, it is necessary to proceed only from the consumer properties of a product (for example, productivity, material intensiveness, degree of economy, reliability, and so forth) and from its economic effect, is the extreme expression of the ideas of the "expenditure-free price."

In particular, the following illustration of the examined approach is presented: Expenditures on the production of an electronic ignition system for Moskvich and Zhiguli motor vehicles total 367 rubles. During the motor vehicle's entire life it saves 50 rubles' worth of fuel. Consequently, the price of this system should be set at the level of 50 rubles.<sup>2</sup> Thus, the price equals the effect. However, first, in order that the effect from the consumption of some commodity may become possible at all, it is necessary to produce this commodity, which is inconceivable without certain expenditures. Second, the same article can be used in different spheres with a dissimilar effect. How is a price set in such a case? On the basis of a calculation of some integral effect? Or will the number of prices of the same commodity be equal to the number of spheres of its application? These questions are far from abstract. For example, a check on the use of the same robots showed that at the Kama Motor Vehicle Plant they gave an effect of 12,000 rubles, whereas at the



Moscow Jewelry Plant they brought a loss of 3,000 rubles.<sup>3</sup> What should the price of these robots be according to the "price-effect" logic? Third, if several, not one, consumer parameters are important for a given sphere of use of some article, the effect from which parameter "forms" the basis for the price of this article? Or should some integral effect be again calculated? Will this not lead to such an "integral" price?

The list of such kinds of questions as applied to this theory could be increased. All these questions have been discussed for a long time, nevertheless there is no solution acceptable in practice for use on a mass scale. This is hardly accidental.

The so-called effect approach in price formation is a distinctive manifestation of the cult of use value of a commodity with disregard for its cost aspect. However, in a real commodity cost and use value constitute a unity of opposites and it is impossible to manipulate only one of its aspects. The interest of every party in the purchase-sale process can be realized normally only within the framework of such a unity.

How will the "effect price" be reflected in the real acts of purchase-sale of goods? At such a price will the producer "throw" a commodity on the market at all? To these kinds of questions it is necessary to have more or less clear answers in order to solve the problem of acceptability of the proposed price model.

There is also another point of view of what the desired price model should be. In its external structure it does not differ from the presently accepted, that is, it can be characterized by the "price+production costs+profit" scheme. However, the meaning of the mentioned price components changes fundamentally in the recommended model. It turns out that expenditures should be costs of developing the basic consumer parameter (property) of a real commodity, not of its production. The situation with the formation of another component of the price model—profit—is similar. The latter in the price will depend not on expenditures, but again on the consumer parameter.<sup>4</sup> It is clear that in this case, in fact, it is a matter of a variety of the "effect price." Therefore, everything that has been said about this model above pertains here.

The "price equals the effect" scheme is attractive at first glance. The consumer should pay for a commodity only to the extent that it has useful properties for himself. Thus, however, the question as to what the price of a commodity should be is determined in the final reproduction sphere—in consumption. But this is admissible only in relation to some part of goods produced in society. Prices of the bulk of goods are determined precisely by expenditures in the production sphere. Otherwise, they (prices) would not be regulated by the law of value.

The examined price scheme is a hypertrophied price expression of the customer's (consumer's) interests. True, they have now been infringed upon. This, of course, is abnormal. However, should we develop a theory, departing from an abnormal practice? According to this scheme, the price, were it introduced, would "work" for another extreme—for infringing upon the producer's interests and, moreover, against the law of value in general. With the "effect approach" the question whether the producer will "throw" a commodity on the market at such a price seemingly does not exist at all. It is simply assumed that a commodity will be on sale. However, is the assumption about prices of commodities ignoring the interests of commodity producers correct? Obviously not.

A fundamental improvement in the price sphere cannot be based on ignoring the economic nature of the price expressed by the formula "price is a monetary expression of value." The effect, before it is realized in the sphere of consumption of a commodity, should be created in production. Through the price its producer should make up for socially necessary expenditures on developing a commodity and receive a certain part of the effect, which is necessary for improving his business.

Does everything that has been stated mean that the "effect approach" is not acceptable at all in price formation? By no means. It is really effective, but with *price formation for uniform or interchangeable goods*. How to realize it? Labor expenditures at different enterprises are equalized at a socially necessary level. At the same time, it turns out that per unit of labor expenditures of such a social quality a bigger consumer effect is created at one enterprise than at another. In such a situation the price should be set in a direct relationship to the magnitude of the consumer effect. Could such a price be called an "effect price"? Yes, without any doubt. However, does the indicated price formation procedure ignore the cost approach? No.

Advocates of the "effect price" take price determination in a direct relationship to the effect with equalized (at a socially necessary level) expenditures as the "expenditure-free approach." Here the expenditure (cost) approach has a different, transformed, form and advocates of the "effect approach" do not "recognize" the expenditure (cost) formulation in such a modified form.

Thus, at the present stage of price restructuring two approaches to the price model appear: 1) price-effect and 2) price-production costs+profit (not with the traditional, but fundamentally different, interpretation of its components). As we have tried to show, these approaches are of no universal significance and, therefore, cannot appear in the role of the main principle in the formation of the price base.

What, nevertheless, is the way out with respect to the base for the price model? Is it necessary to reject the traditional "price-production costs+profit" scheme? In

our opinion, the expenditure (cost) base for the price in no case should be lost in the course of present price restructuring. Its fundamental nature is possible only within these limits. There is no serious basis for breaking the general "price=production costs+profit" model. The task lies in changing the *quality* of its components. However, not in the sense discussed above. The labor criterion under the conditions of functioning of commodity-money relationships should be retained as the basic principle in socialist price formation. Ignoring it would sooner or later cause damage to our economy.

The basic requirement for the price base is as follows: It should sharply improve its *social quality* and get rid of present individualistic features. What should be done for this?

*First*, costs of commodity producers satisfying most of the social need for a given commodity should be the price base. This is the *decisive criterion in the selection of the price base*. Society should be primarily oriented toward enterprises, on whose activity the satisfaction of most of its needs for a given commodity depends.

*Second*, these production costs should be most strictly "cleaned" of the part due to mismanagement, poor labor and production organization, routine equipment and technology, and similar factors. In this connection it is necessary to support in every possible way the proposition that the use of actual base expenditures as the main basis for price determination should be given up completely.

*Third*, costs of the future (planned), not past, period with due regard for stepped-up tasks of lowering them, should be the price guideline. This will make it possible to base prices on reproduction expenditures. Then prices will "look" into the future, not the past, as now, thereby playing an active mobilizing role in the economy.

*Fourth*, it is necessary to take a careful inventory of all the components of production costs, keeping in mind a strict substantiation of their inclusion in the structure of socially necessary elements.

Production costs determined in such a way will acquire a new quality as compared with the present one—they will express *uniform normal social requirements* for their level. The price should be based precisely on such costs. What should it be?

It is necessary to implement the policy of "one type of commodity—one price" decisively. A differentiation of prices weakens their social properties—the ability to be a reliable measurer of expenditures and results (effect) and to stimulate a reduction in the expenditures of commodity producers. Such a policy is based on an ever increasing unity of the socialist economy requiring a common measure of expenditures and results and a balancing of intersectorial proportions.

A single social price can coexist with unprofitableness, or, conversely, with a higher profitability of individual enterprises and this is not a shortcoming of the price. The danger lies in something else: In the fact that the price can lose its "social face." However, the problem of unprofitable or "rich" enterprises should be solved specifically on the basis of a situation created by the introduction of the indicated price. If we had again tried to solve the problem of regulating the profitability of individual enterprises with prices, many of the things that we wanted to get rid of when implementing price restructuring would "make a complete cycle." Prices should regulate the profitability of any entire sector, but not of its individual enterprises—this would again lend them individualistic features.

*The subsidy problem.* Subsidies are an expression of defects in prices and, at the same time, the reason for many of them. Therefore, any variant of implementation of an interconnected restructuring in prices presupposes a solution of this problem. What does the subsidy link of the price sphere represent specifically? What subsidies are involved? Let us examine this a little more specifically.

1. A subsidy for making up for the difference between wholesale prices of coal and coal concentration products (at which they are sold to consumers) and accounting prices of these products (at which coal extracting and enriching enterprises sell their products to the Main Administration for Supply and Sales of Coal under the USSR Gosnab). A task is set to eliminate the unprofitableness of the coal industry as a whole and to ensure a stability of prices of its products (as of the products of other sectors of the fuel and raw material complex) before the year 2000.

The experience in preceding revisions of wholesale coal prices indicates that a complex task is set. Prices initially ensuring a profitable operation of the coal industry quite soon "were outstripped" by production costs and the sector again became unprofitable. Is it again necessary to follow the path of ensuring its profitability, for example, at a level of 15 percent with prices alone? As it seems to us, from now on it is inadvisable and, perhaps, impossible to ensure a stable subsidy-free and profitable operation of the coal industry with prices alone. After all, the main task is to eliminate the reasons for an increase in production costs and this requires a radical improvement in the sector's material and technical base and production intensification on this basis. However, it is impossible to attain such a situation without sufficiently big one-time specific capital investments in the examined sector. The price method of providing assistance to enterprises is such that it is given to them drop by drop, as they "give out" products, and, therefore, does not make it possible to make any noticeable changes in the sector in a comparatively rapid manner. It is most advisable to ensure a stable subsidy-free operation of the coal industry by combining two methods: ensuring by means of prices the sector's minimal profitability at the

level of 5 to 7 percent, for example, and giving it big one-time assistance for a fundamental restructuring of the material and technical production base.

Currently existing prices of fuel and raw materials, including coal, are 1.5- to 3.0-fold lower than world prices. It is considered necessary to take this level into account in new prices. Probably, this is correct. At the same time, however, it would hardly be correct to "incorporate" this foreign level in our prices, as they say, one to one. In our opinion, it is necessary to be guided primarily and basically by the "context" of our internal needs and capabilities.

2. A subsidy in connection with the sale or release to kolkhozes and sovkhoses of certain industrial means of production (combines, tractors, mineral fertilizers, electric power, gas, mixed feed, and so forth). As a major problem, which we now encounter, it arose since the reform in wholesale prices and rates in 1967, when it was decided that any significant changes in wholesale prices and rates in industry should not do irreplaceable damage to agriculture.

This type of subsidy appears as a connecting link between the producer's and the consumer's prices. For example, these prices as applied to combines look as follows: Niva—8,390 and 5,544 rubles respectively; Kolos—11,400 and 6,871 rubles; Don-1500—32,000 and 12,500 rubles. It is clear that the more expensive the combines arriving on farms, the more substantial the amounts of subsidies from the state budget for making up for the difference between the indicated prices. A similar situation exists with respect to the sale of other industrial means of production to kolkhozes and sovkhoses. For agricultural equipment and mineral fertilizers alone subsidies now exceed 5 billion rubles. Plans have been made to abolish the examined type of subsidy. Is this correct?

As state assistance to farms so that they may "stand on their own feet" the subsidy for the sale of industrial means of production to them was of positive significance at a certain stage. In time, however, kolkhozes and sovkhoses got used to this assistance and ceased to notice it and it was transformed into a distinctive incentive for mismanagement and dependence. Naturally, a subsidy that has acquired such a quality must be given up.

The abolition of the examined type of subsidy will require (if we proceed from retaining the existing level of profitability of agricultural production) a corresponding rise in purchase prices. In this connection of no small significance is the question of the types of agricultural products for which the total sum of this type of subsidy should be "allotted." It would seem that it should be allocated primarily and basically for a rise in purchase prices of livestock products, whose production has a low profitability or is unprofitable. This will require (provided a "direct" connection is restored among various types of prices) a certain rise in retail prices of meat,

milk, and so forth. Thus, the examined question can be approached both from the standpoint of ensuring the profitability of production of livestock products on kolkhozes and sovkhoses through prices and from the point of view of the biggest possible reduction in prices of meat and milk for the population.

3. A subsidy for the sale of agricultural products by unprofitable and low-profitability kolkhozes and sovkhoses to the state. It was introduced in 1983. Usually, this type of subsidy is called purchase price markups for products sold by such farms, but in the economic sense this, of course, is a subsidy. These markups are set at the rate of up to 75 percent of the price. At present the state budget annually allocates about 9.8 billion rubles for this purpose. The bigger the proportion of products of unprofitable and low-profitability farms in the total volume of state purchases, the more they cost society.

One can agree with the fact that the indicated markups were transformed into a subsidy for making up for nonproduction expenditures and losses. More than two-thirds of the kolkhozes and sovkhoses now receive them. In individual oblasts the proportion of unprofitable and low-profitability farms is especially big. For example, in Penza Oblast 93 percent of all the farms receive this type of subsidy.<sup>3</sup> It is anticipated that the examined type of subsidy will be abolished in the course of the present price reform. With the rent payments made by kolkhozes and sovkhoses functioning under comparatively the best conditions it is planned to establish a special fund of the USSR Gosagroprom, whose capital will be used to strengthen the material and technical base of farms operating under worse conditions. In our opinion, this is a correct measure. Why?

As practice indicates, kolkhozes and sovkhoses use additional income from a rise in purchase prices primarily for personal, not production, consumption. For example, out of the 240 billion rubles received by them from the rise in purchase prices in 1965-1980 more than 130 billion rubles (60 percent) were assigned for wages and material incentive funds. The planned measure should give more specific and address assistance in strengthening the production sector of their economy.

The abolition of the subsidies examined in the last two points in itself will require a significant compensating rise in purchase prices of agricultural products sold to the state by kolkhozes and sovkhoses. Furthermore, it should be kept in mind that even with these subsidies there are many unprofitable and low-profitability farms in the country. For example, one-third of the farms still have a profitability below 10 percent and 13 percent are completely unprofitable. On many kolkhozes and sovkhoses the level of management is so low that neither a rise in purchase prices nor subsidies make it possible to cover their actual production costs. Meanwhile, it is considered that it is necessary to ensure the profitability of agricultural production on kolkhozes and sovkhoses at a level of no less than 35 to 40 percent.



4. A subsidy for the sale of a number of food products to the population (meat, milk, potatoes, bread, fish, vegetables, and so forth). This type of subsidy appeared in connection with the implementation of the policy of maintaining the stability of state retail prices of the indicated products under conditions of a rise in purchase prices of agricultural products. In 1965-1980 the subsidy of the examined type totaled 250 billion rubles. In the last few years subsidies from the budget for the sale of meat and milk have grown in an especially intensive manner. For example, whereas in 1981 they were equal to 23.5 billion rubles, in 1986, to 57 billion rubles.<sup>6</sup>

This type of subsidy guards the consumer against the effect of any major price changes in the sphere of production of food products. However, the long practice of its application has also uncovered significant negative consequences—stimulation of wasteful consumption and differentiation of the consumption of subsidized types of food products in favor of the population strata that have a comparatively high income and a relatively easy access to scarce goods.

Of course, the abolition of the examined form of subsidy is impossible without major differentiated compensating changes in the population's income. This problem is socially acute and concerns the country's entire population. As is well known, it has become the subject of a wide discussion. Many problems will have to be solved here.

5. A subsidy for housing and municipal services and public transport. The present rates of services of municipal transport cover only two-thirds of its operating expenditures and rents, less than one-third of the expenditures on the maintenance of available housing. Let us examine the subsidy for housing.

In practice, in our country rents have changed little since 1926. To maintain their low level, a substantial subsidy is provided in the budget. The dynamics of this type of subsidy is clear from the following data: In 1940 it totaled 0.1 billion rubles; in 1960, 1.3 billion; in 1970, 3.4 billion; in 1980, 6.9 billion; in 1986, 9.8 billion.

The maximum rent level envisaged from the middle of the 1920's was formed in the country a long time ago. It amounts to 13.2 kopecks per square meter per month. In accordance with the decree of the USSR Central Executive Committee and the Council of People's Commissars "On Housing Policy" (January 1928) this rent rate could be increased by 25 percent in houses built after 1924, that is, to 16.5 kopecks.<sup>7</sup> In fact, the indicated increase is not applied in many cities. For example, whereas a rate of 16.5 kopecks per square meter per month is in effect in Moscow, a rate of 13.2 kopecks, in Leningrad (both in old and new housing). State losses resulting from the shortage of funds owing to the nonfulfillment of the demand for a 25-percent increase annually total hundreds of millions of rubles.

Is it necessary to abolish these types of subsidies? This problem should become the subject of discussion in the course of the overall reform in retail prices and rates. After all, rent is a specific type of retail price. Irrespective of what the final decision will be, certain corrections should occur in rent. In particular, it should take into consideration the quality of housing (apartment layout, comfort, and other features) more fully than now.

6. A subsidy for the sale of some consumer goods. For example, retail price discounts ranging from 10 to 65 percent for the total annual sum of more than 2 billion rubles are now given for fabrics and materials for children's clothing.

What is to be done with this subsidy? This question should also be submitted for a wide discussion together with the preceding two questions, keeping in mind, in particular, that the examined subsidy often is not applied according to its direct purpose, that is, is not always of benefit to children. From the standpoint of the specific purpose of this subsidy it should be taken into account in the price of ready clothes, not of the initial material for them, or a differentiated (depending on the number of children in the family and its income) specific allowance should be paid from this subsidy, as a result of which assistance would acquire a specific address nature.

The subsidies examined above are not something inherent in the price sphere of our country alone. They are also widespread to a certain extent in other socialist countries. For example, the GDR state budget for 1987 provides for the following subsidies: for retail prices for the purpose of ensuring the stability of prices of necessities and rates of basic services amounting to 48.8 billion marks (19.1 percent of the budget expenditures); for prices of means of production for agriculture amounting to 3.1 billion marks (3.7 percent of the funds allocated from the state budget to enterprises and cooperatives of various economic sectors).<sup>8</sup> At the same time, it should be noted that in most CEMA countries in the last few years retail prices have been regulated in coordination with the change in the levels of wages and other income of the population for reducing budget subsidies.

How could the subsidy practice in the price sphere of our economy be evaluated as a whole? Subsidies were introduced at certain stages in the development of the national economy in connection with the needs for the solution of arising significant social and economic problems. At some temporal stage they, undoubtedly, played a positive role. In our opinion, however, the further retention of subsidies stimulates mismanagement, waste, and dependence. Now, when price subsidies, as we have seen, are expressed in vast sums, when ever newer varieties of subsidies appear, the question is as follows: Should this problem be solved in its present form now, or in a more difficult form tomorrow? After all, in 1988 the volume of state subsidies for meeting the needs of the national economy and the population will exceed 90 billion rubles (20 percent of the budget expenditure).<sup>9</sup>

The budget provides 73.4 billion rubles of state subsidies just for making up for the difference between purchase and retail prices of agricultural products and for ensuring deliveries of equipment and mineral fertilizers on preferential terms to kolkhozes and sovkhozes.<sup>10</sup>

What most significant damage does the further retention of subsidies do? In brief, the damage lies in the fact that a single price relationship between the producer and the consumer of a commodity is disrupted and producer's and consumer's prices isolated from each other are created artificially. As a consequence, the price form of resolving the contradiction between the producer and the consumer "is taken out from the game." One of the powerful moving forces of the commodity-money exchange is lost and the price ceases to resolve "by the right belonging to it" the range of contradictions in the functioning of socialist commodity producers.

In the solution of the problem of interconnecting all types of prices and rates the subsidy problem is the most important. In principle, it is clear that their direct "interfacing," without the subsidy link, is needed. However, breaking the historically formed "unit" of the price mechanism, which is built in it more or less tightly, is by no means an easy matter. The following question is legitimate: Is it advisable to eliminate the subsidy link "at one stroke"? Will we withstand the drop in prices, which will occur inevitably in this case? How to observe the necessary precautionary measure? All problems of this kind should be the subject of a wide discussion.

Of course, a simultaneous and complete abolition of all price subsidies would be a fundamental solution. For the sake of caution, taking into consideration the strict dates for carrying out the necessary volume of work, as we assume, the following variant could be followed: During the 13th Five-Year Plan we could abolish subsidies only for the delivery of industrial means of production to kolkhozes and sovkhozes and for making up for the difference between purchase and retail prices in connection with the sale of milk and meat and "embark" on other subsidies during the subsequent period.

A solution of problems concerning the price model and subsidies in the course of establishing an interconnected system of prices and rates is necessary. However, it is not limited only to the problems discussed.

*Logic of price restructuring.* Subsidies became the reason for the serious defect in the economically natural logic of price interrelationships. In many respects the situation created here could be described by the expression "the cart before the horse." Various types of prices service different phases of reproduction of a commodity. In this service there is a subordination of various types of prices, which reflects the interrelationship of these phases. According to such a subordination retail prices should "sum up" the entire price forming process in society. This is the objectively determined price subordination, however, disrupted by subsidies.

Price restructuring cannot be limited only to the abolition of subsidies. The problem of the logic of restoring the natural interrelationship of various types of prices and rates connected with them is also important. The policy of realizing the logic "from wholesale to retail prices" has been adopted officially. It requires primarily the setting of much higher prices of products produced by the sectors of the fuel and raw material complex, first of all, coal, whose production, as we have already stated, is subsidized. This will give rise to "floating price disturbances" in associated sectors (allergy and so forth). Having arisen in base sectors, the "wave" of changes in wholesale prices will gradually extend to the area of retail prices, being combined with the elimination of the indicated subsidy links to one extent or another. Of course, in a number of comparatively highly profitable sectors, for example, in machine building, there is the possibility of "extinguishing" these "waves" to one degree or another and of absorbing the effect of a price increase in base sectors on retail prices. From price positions this approach is the most acceptable and makes it possible to restore the natural logic of price interrelationships systematically. It places increased requirements for the substantiation of prices of products produced by sectors of the fuel and raw material complex.

However, it makes sense to discuss (even if in order to show that during the solution of the problem concerning the logic of price restructuring there was a choice, at least, out of two possibilities) another logic. It can be expressed by the formula "from retail to wholesale prices." Is such logic legitimate? Yes, it is. The point is that retail prices, being final in the entire price system, appear as the upper limits of wholesale prices. Such a price revision would be a revision from the position of the final consumer. The social and economic sense of the examined logic of price restructuring is important in this. However, how in this case should retail prices themselves be regulated?

In this approach the change in retail prices would be the initial point of price restructuring. At the same time, it would be necessary to eliminate their deformations (especially concerning food products) caused by decades of subsidy practice. Possibly, other measures in the sphere of retail prices proceeding from the requirements of social policy would also be necessary. In our opinion, the following variant would be acceptable during the regulation of wholesale prices: Having left their formed general level as before, to change the correlations of prices of individual goods with due regard for the needs for the elimination of subsidies for some of them. Having regulated retail prices, it would be possible to move toward an improvement in wholesale prices servicing the production sphere of the socialist economy. At the same time, the sum of all changes in the area of wholesale prices should not exceed the limits outlined by retail prices.

The two approaches to the price reform, probably, would give rise to dissimilar consequences in the sphere of

retail prices and rates and, perhaps, would require a different volume of work on "interfacing" them with the necessary compensating changes in wages and other income of the population.

#### Centralism and Independence in the Price Sphere

In our socialist society the price formation process occurs with the participation of various subjects of price formation. What price prerogatives do they possess? How will they react to prices set by higher-level subjects of price formation? The course, content, and forms of the indicated process will depend on such types of factors.

In socialist society the requirements of the law of value are realized basically not spontaneously, but by means of planned control of the price movement. The socialist state appears as the supreme subject of price formation. At the same time, the urgent need for the activation of socialist commodity producers requires a certain intensification of their price independence. What is the objectively necessary measure of combining centralism and the independence of commodity producers in the price sphere adequate to the needs of the present stage in the development of our economy?

Possibly, the "residual principle" of granting price prerogatives has been realized in the USSR Law "On the State Enterprise (Association)" for socialist commodity producers: They apply to what does not fall under the center's price actions. As it seems to us, at times the price freedom of commodity producers, which they receive under the new conditions of management, is exaggerated. We will try to show the validity of our opinion.

Under the new conditions of management centralized, contractual, and independently set prices and rates will be applied in the sphere of organized and controlled price formation. In particular, much optimism in an expansion of the price independence of enterprises (associations) is connected with contractual prices. It should, however, be noted that, *first*, the sphere of application of contractual prices is narrowed sharply by the fact that they do not apply to goods (services), on which centralized prices and rates are set. *Second*, prices and rates set not only by the USSR Council of Ministers and the USSR State Committee for Prices, but also by ministries and departments, as well as councils of ministers of Union and autonomous republics and even by executive committees of local soviets of people's deputies, are included in prices and rates set in a centralized manner. Such an interpretation, undoubtedly, narrows the sphere of application of contractual prices. *Third*, the sphere of application of contractual prices is limited to goods, the proportion of the realization of which in the total volume of sales carried out by enterprises, usually, does not play any decisive role. These are products for production and technical purposes produced on single and individual orders, new products or products mastered for the first time, new nonfoodstuffs, as well as individual types

of foodstuffs, and so forth. However, even here there are two important restrictions: 1) contractual prices of these types of products can be set for a period of up to 2 years; 2) the list of these types of products is set at the level of the USSR State Committee for Prices. *Fourth*, the fact that contractual prices should be determined by the producer and the consumer on the basis of the level of the so-called base price serves as a barrier against a possible uncontrolled rise in contractual prices. Prices set in one way or another by the center can play the role of the base price. Thus, contractual prices should be determined by interested parties "while looking back" at centralized prices.

Thus, the channels and forms of limiting the price freedom of socialist commodity producers are quite diverse and this must not be disregarded, answering the question as to what the actual price independence of enterprises (associations) is. The unjustifiability of the exaggerations made in this respect is also confirmed by certain other circumstances.

The centralized setting of the price of a specific new product should occur after 2 years of effect of a contractual price. Consequently, the latter seemingly plays the role of a "prospector," who, if this is required, can be declared guilty of defects in the price emanating from the center. At the same time, since contractual prices will "revolve" around so-called base prices, they will also begin to reproduce the shortcomings of their "prototypes" to a significant extent. In such a case will it be possible to use the decisive advantage of contractual prices—current recording of a specific market situation?

Contractual prices are called into being as an alternative to inflexible and clumsy prices set by the center. However, to what extent will price formation become more elastic and more satisfactory for the socialist market owing to the introduction of contractual prices in the "edition" indicated above?

In our opinion, certain criteria for evaluating the measures taken by central price formation bodies are needed. Centralism in the price sphere is justified to the extent to which prices and rates set by the center favor and create the necessary price prerequisites for activating commodity-money relationships, primarily an intensive circulation of goods and money and the "resorption" of vast commodity stocks. Meanwhile, the USSR State Committee for Prices "reserved" for itself the resolution of such a big volume of price questions that it is able to answer many of them only formally, according to the principle "I permit-I don't permit" and "yes-no." Under these conditions prices set by the center are far from actively servicing the specific needs of the socialist market.

The commodity producer cannot be really competent without the necessary price freedom. Can such freedom result in something dangerous for the fates of our economy? Let us examine this in connection with the introduction of self-financing.



Obviously, the main "junction" of the interconnection of the price sphere with all other "units" of the new economic mechanism today passes precisely through an interconnection of prices and self-financing. The problem of price servicing of self-financing policy is the most acute. Reasoning in an abstract manner, prices can make the commodity producer a "rich man," or, conversely, a "beggar." It would be fundamentally incorrect to set prices, at the same time, attempting to provide favorable price conditions for self-financing for all enterprises. It is important to set prices ensuring a profitable operation of the entire sector and to regulate the profitability of its individual enterprises with other available economic means. Will we have sufficient self-control not to give in to the "temptation" to solve the price problem of ensuring self-financing for all commodity producers "on the tip of the pen"?

It can be assumed that an especially noticeable price "splash" will occur at the first stage in the mass introduction of self-financing policy, when enterprises and associations will "stand on their own feet" in the context of this policy. Then price "supports" will prove to be especially useful to them and, undoubtedly, they will make use of them to one extent or another. However, it would be erroneous to present the matter as though the enterprise or association could freely "inflate" prices at its wish even if greater price freedom would be given to it. An excessively high price will alienate (of course, the extent of alienation will depend on the acuteness of the shortage of a specific commodity) the customer, who under self-financing will begin to pay from his own, not state, pocket as before. Furthermore, the price is set for a specific commodity. If it is of a low quality and not of a specific assortment or type, the asked high price will not work. In reality, the producer wants not any price, but only the high price at which the entire bulk of the commodity delivered by him to the market is sold successfully. As the market is saturated with goods, the significance of the price "circumspection" of commodity producers should increase inevitably.

Numerous attempts by enterprises (associations) to create in one way or another preferential price conditions for their functioning (by setting too high prices, violating the procedure of their application, using unconfirmed prices, and other similar actions) are the reality of the price sphere. We do not know the true scale of these attempts, many of which, probably, end successfully. However, it can be assumed that it is no longer so small. When we raise the question of the extent to which the "price element" is unleashed with a significant expansion of the price freedom of enterprises, it is impossible to consider this question in an abstract manner without due regard for the presently existing scale of setting too high de-facto prices. Possibly, by granting price freedom to enterprises, we legalize what they now try to do in a secret and veiled manner.

At times the intensification of the price freedom of enterprises is connected with an uncontrolled and unpredictable rise in prices of goods. As it seems to us, these

kinds of fears are exaggerated. As long as the state on behalf of society at large remains the supreme authority of the gross national product, it can reliably keep in its hands the control over the price situation.

Will there be a "price explosion"? Of course, a forecast of the change in the price situation is necessary. However, the socialist state is certainly able to keep it under reliable control. If fearing a certain price freedom of commodity producers, we will "clutch" it in administrative hands, we will secure neither their initiative nor their enterprise and, at the same time, the elimination of the shortage and other "sores" of our present economy.

#### Footnotes

1. "Materialy Plenuma Tsentralnogo Komiteta KPSS 25-26 iyunya 1987 goda" [Materials of the Plenum of the CPSU Central Committee 25-26 June 1987], Moscow, 1987, pp 96-97.

2. See: EKONOMICHESKAYA GAZETA, 1987, No 34, p 7.

3. See: EKONOMICHESKAYA GAZETA, 1987, No 34, p 7.

4. See: PRAVDA, 1987, 25 August.

5. See: FINANSY SSSR, 1987, No 7, pp 5 and 8.

6. See: EKONOMICHESKAYA GAZETA, 1987, No 41, p 3; FINANSY SSSR, 1983, No 7, p 13.

7. See: "Resheniya partii i pravitelstva po khozyaystvennym voprosam" [Party and Government Decisions on Economic Problems] Moscow, 1967, Vol 1, pp 699-700.

8. See: FINANSY SSSR, 1987, No 7, p 70.

9. See: PRAVDA, 20 October 1987, p 3.

10. See: Ibid.

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## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Progress After 2 Years of 12th FYP Reviewed

18200222a Moscow VESTNIK STATISTIKI in Russian  
No 4, Apr 88 (signed to press 4 Apr 88) pp 6-15

[Article: "Development of Soviet Industry"]

[Text] During the first 2 years of the 12th Five-Year Plan, our country's industry achieved the increase in production called for in the tasks of the five-year plan for this period. The increase in labor productivity was greater than the figure called for. The introduction of the achievements of scientific-technical progress, an improvement in the use of the production potential and an improvement in the economic mechanism made it possible to raise the efficiency of industrial production.

During the 1986-1987 period, intensive growth factors exerted a greater influence on industrial development than they had in previous years. Compared to the 1981-1985 period, when growth in labor productivity accounted for 86 percent of the entire increase in output and in 1986—94 percent, in 1987, for the very first time, the increase in production was achieved by means of an increase in labor productivity with an absolute reduction in the number of workers engaged in the branch.

The production cost for industrial output declined an average of 0.8 percent annually, material intensiveness—by 0.7 percent and these figures were substantially higher than the indicators achieved during the 11th Five-Year Plan. In 1987, a 15 percent increase in production was achieved by means of a savings in the use of material resources.

During two years of the 12th Five-Year Plan, industrial profit increased by an average of 7.6 percent annually, or higher by a factor of 1.6 than the average for the 1981-1985 period.

An improvement was realized in the ratio between the increase in average wages and labor productivity. Compared to the 11th Five-Year Plan when the average wage increased by 0.72 percent for each percent of increase in labor productivity, during the first 2 years of this current five-year plan this ratio amounted to 0.57 percent. The decline in output-capital ratio slowed down by more than twofold.

Territorial-production complexes underwent further development. The greatest growth was achieved in industry in the Western Siberian TPK [territorial-production complex] (the production volume increased by 17 percent during two years of the five-year plan), in the zone of the Kursk magnetic anomaly (by 17 percent) and in the Sayansk TPK (by 13 percent).

In 1987, for the first time in economic practice, a considerable number of industrial enterprises (2,500) operated under conditions of complete cost accounting and self-financing, which received preliminary approval in 1985-1986 at the Sumy Machine Building Scientific-Production Association imeni M.V. Frunze and at the AvtoVAZ Production Association.

The result of work carried out under self-financing conditions has shown that the new economic mechanism economically places the associations and enterprises under more "stern" conditions in carrying out their contractual obligations, it motivates them to conduct their economies using intensive methods and to realize savings in both their material and labor resources and it increases activities aimed at renewing products and carrying out the technical re-equipping of production and development of the social sphere.

The dependence of the financial status of enterprises upon their final operational results has been reinforced and, it follows, greater interest is now being shown in achieving the required level of profit as the chief source of funds for the production and social development of collectives. More attention is being given to economic work, the technological or organizational decisions adopted are being measured primarily against the final results of production efficiency and a thrifty attitude is being developed with regard to the utilization of labor and material resources.

The rates for growth in profits at these enterprises have surpassed substantially the indicators for industry as a whole.

The indicators of enterprises which operated on the basis of self-financing conditions exerted a considerable influence in a number of aspects on the overall results of industry. These enterprises accounted for 16 percent of the overall number of workers in industry and at the same time they accounted for one half of the branch's workers who were released last year.

This was promoted by activation of the work of enterprises in the technical re-equipping and modernization of production. Enterprises which converted over to complete cost accounting and self-financing used 21 percent more capital investments for the technical re-equipping and modernization of existing production operations than they did in 1986. The proportion of resources from the funds of enterprises, compared to the overall volume of capital investments for these purposes, amounted to 90 percent. Thus, as stipulated in the statutes for the new economic mechanism, production development is determined to a decisive degree by the operational effectiveness of enterprises and, accordingly, by the amount of internal resources.

Greater attention is now being given to the solving of social problems. Enterprises which operate under cost accounting conditions coped more rapidly with the negative consequences of the decline in production which occurred in early 1987. Despite the fact that this lag was not eliminated fully, the dynamics of the indicators nevertheless underscore the considerably greater mobility of enterprises which operated under the new conditions.

In 1987, the level of fulfillment of obligations for product deliveries by enterprises which operated under the conditions of complete cost accounting and self-financing was higher than that for enterprises which did not convert over to these conditions. The results of the new economic mechanism have affected noticeably the indicator of labor productivity.

At the same time, complete success was not achieved in realizing fully the advantages of the new economic mechanism. The establishment of complete cost accounting and self-financing took place under extremely complicated conditions, with no substantial changes taking place in 1987 in the principal trends of the economic mechanism (planning, logistical supply, price formation and financial-credit relationships).

The manner of fulfillment of the five-year plan by national economic complexes is characterized by the following data:

	1987 Increase in Output in % of 1985	
	According to five-year plan	Actual
Fuel-energy complex	5.6	7.0
Metallurgical complex	4.3	6.0
Machine building complex	13.3	11.2
Chemical-forestry complex	8.1	8.7
Agro-industrial complex	7.8	8.1
USSR Minlegprom (according to total number of tasks called for in the annual plan accounts)	5.2	3.1
USSR Ministroyaterialov	5.9	7.5

It is apparent from the data cited that the fulfillment of the tasks for the first 2 years of the five-year plan was achieved on the whole by industry with some deviations from the branch proportions called for in the five-year plan. The output for the task of the five-year plan was not achieved by enterprises of the machine building complex and USSR Minlegprom. Moreover, decisive importance was attached to the 1987 operational results, in which a considerable lag had developed in fulfillment of the annual tasks by these complexes.

The insufficiently high rates of development for light industry precluded the possibility of solving the task included in the five-year plan for increasing the production of consumer goods (Group "B"), the result of a strengthening of the social trend in economic policy. In

1987, the production volume for consumer goods (Group "B") should have increased by 9.2 percent compared to 1985 and yet the actual increase was only 7.8 percent.

As a result of the lag in carrying out the tasks of the five-year plan for increasing the production of consumer goods during the last 2 years of the five-year plan, no improvement was realized in the structure of industrial production and the trend towards a reduction in the Group "B" proportion compared to the overall volume of industrial output which prevailed during the years of the 11th Five-Year Plan remains unchanged. Such a situation is having a negative effect on the balance in the income and expenditures of the population, on fulfilling the plan for retail commodity turnover and on ensuring the availability of the commodity stocks required for trade.

Another important structural priority called for in the five-year plan is the leading development of the machine building complex—the principal prerequisite for the technical re-equipping of the national economy.

This predetermines substantial changes in the Group "A" proportions between the production of the means of labor and objects of labor. However, during the past 2 years of the five-year plan no noticeable changes were realized in the production structure for Group "A" products and this was associated with the lag in the development of the machine building complex.

The operational effectiveness of industrial operations during the 1986-1987 period declined considerably owing to the fact that complete success had still not been achieved in reorienting the structure and assortment of products in conformity with the requirements for the population's production consumption and demand or in eliminating the lag in the development of some branches in carrying out the plan for the production of a number of types of products. We are still encountering situations in which an enterprise, in the interest of improving its "gross" indicators, tolerates the non-fulfillment of tasks concerned with new and efficient types of products. This applies in particular to ferrous metallurgy, machine building and to some branches of the chemical industry.

As a result, a radical turning point was not achieved during the first 2 years of the five-year plan in the carrying out of contractual obligations or in ensuring the deliveries of products needed for the national economy and the population. In 1986, the value of products not delivered in accordance with contracts concluded amounted to 9.4 billion rubles and in 1987—12.2 billion rubles (during the 11th Five-Year Plan, the value of the annual amount of products not delivered reached an average of 14.3 billion rubles). For all practical purposes, one out of every four enterprises failed to cope with its contractual obligations in 1987.



The development of national economic complexes. During the period of the 12th Five-Year Plan that has already elapsed, the branches of the fuel-energy complex performed in a stable manner.

The production of electric power increased during this period by 8 percent, the extraction of gas—by 13 percent, petroleum—by 4 percent and coal—by 5 percent. The entire increase in the volume of industrial production at enterprises of the complex was obtained through growth in labor productivity.

The production volumes achieved for the principal types of fuel-energy resources correspond to the tasks of the five-year plan and for the extraction of coal and gas they exceed the tasks.

In 1986-1987, the operation of the petroleum and coal industry improved at enterprises of the fuel-energy complex located on the territory of the RSFSR. The extraction of petroleum, coal and gas exceeded the planned tasks.

One out of every four tons of coal procured throughout the country came from shafts and open pit mines in the Ukrainian SSR. During 2 years of the 12th Five-Year Plan, more than 10 million tons of coal were procured over and above the plan, including 8 million tons for coking.

The fuel-energy complex of the Kazakh SSR accounts for 19 percent of the all-union extraction of coal. The average annual rate for increasing the extraction of coal during 2 years of the current five-year plan was 4.2 percent compared to 2.6 percent for the 1981-1985 period. The republic's electric power industry is developing based upon the use of cheap energy-producing coal of the Ekibastuz Basin.

The fuel-energy complex of the Turkmen SSR is based upon the gas industry. The republic occupies second place in the country in the extraction of gas.

However, despite overall positive results, substantial shortcomings are being noted in the work of the complex.

In the electric power industry, owing to a systematic lag in the introduction of new power-producing installations, a reliable reserve of capabilities for covering peak workloads has not been created and this is restraining the work aimed at modernizing and dismantling obsolete and low efficiency equipment.

In the petroleum industry, modern methods for raising the production from oil-bearing layers are being introduced into operations at inadequate rates. An increase in the procurement of petroleum is being achieved mainly

by increasing the volumes of drilling operations. At the present time, only 6-7 percent of the petroleum is being obtained using hydro-dynamic, thermal or physical-chemical methods.

Just as in the past, the efficient use of by-product petroleum gas continues to remain a problem. In 1986-1987, the gas losses at mining operations on the territory of the RSFSR amounted to more than 30 billion cubic meters (33 percent of the entire quantity obtained).

A lag has developed in the coal industry in the carrying out of preparatory work. A number of large associations are not coping with the tasks for the extraction of coal. The population's requirements for coal briquets are not being satisfied fully and this is associated mainly with unsatisfactory work by the Bashkirugol Production Association.

In 1986-1987, improvements were noted in the work of the metallurgical complex. The tasks of the 2 years of the 12th Five-Year Plan for the principal types of products of ferrous and non-ferrous metallurgy were fulfilled.

In 1987, an increase in the production of rolled metal was achieved for the first time with practically no increase in the production of cast iron or coke.

The average annual rate of growth in the production of rolled metal during 2 years of the 12th Five-Year Plan amounted to 102.7 percent, a figure which was higher by 0.6 points than that called for in the five-year plan.

The production of highly efficient and progressive types of metal products was further developed.

At the same time, the planned tasks for many of the highly efficient types of products were not fulfilled. In 1986, of 29 types of such products, the plan was not fulfilled for 15 and in 1987—for 19 of 25 types.

Success was not achieved in stabilizing the work of such large metallurgical combines as Kommunarskiy, Zaporozhstal, Dneprovskiy imeni Dzerzhinskiy, Makeyevka, Karaganda and a number of others, all of which exerted a considerable influence on the development of ferrous metallurgy.

The lag which developed at a number of large enterprises led to a situation in which, throughout the metallurgical complex as a whole, the plan for 2 years of the five-year plan for the production of electric steel, billets suitable for casting using continuous casting machines, rolled metal from low alloy steel, cold rolled sheet steel, sheet steel and tin plate with coverings, high grade cold-hard-drawn steel, bands of cold-rolled sheet steel, high-strength pipe of the petroleum variety and others. Non-fulfillment of the plan in this particular assortment precluded the possibility of ensuring the fulfillment of

contractual obligations. In 1986-1987, 44 percent of the enterprises of USSR Minchermet [Ministry of Ferrous Metallurgy] annually violated the contract which called for product deliveries.

The lag which developed in the carrying out of planned tasks precluded the possibility of improving the structure of metal output. The proportion of oxygen-converter steel and electric steel, compared to the overall smelting amount, remained at practically the same level as that for 1985 and the proportion of sheet rolled metal, compared to the production volume for finished rolled metal, declined in 1987 by 0.4 percent compared to 1985 and amounted to 40.9 percent.

Under modern conditions, the rates for scientific-technical progress and the scales for the technical re-equipping of the national economy are dependent to a decisive degree upon the level of development of the machine building complex and this explains the need for leading development of this key branch of industry.

However, the growth rates called for in the five-year plan were not achieved and the proportion of the machine building complex in the growth in industrial output amounted to 13.4 percent compared to the 17.5 percent called for in the plan. This lag was associated with the difficulties which prevailed in the operation of the complex in 1987. Whereas in 1986 the rates of growth in the volume of industrial production for the machine building complex exceeded the planned rates and amounted to 6.4 percent, in 1987 they declined to 4.5 percent (compared to a planned figure of 6.0 percent). Of the ministries of the machine building complex, only USSR Minpribor [Ministry of Instrument Making, Automation Equipment and Control Systems] and USSR Minavtoprom [Ministry of the Automotive Industry] coped with their tasks for 2 years of the five-year plan.

A deterioration took place in the fulfillment of contractual obligations for deliveries of products. More than one half of the complex's enterprises systematically failed to cope with their contractual obligations. During the 2 year period, enterprises of the machine building complex fell behind by 4.6 billion rubles in their deliveries of products to consumers. In 1987, the level of fulfillment of contractual obligations for deliveries of products at enterprises of the complex amounted to 96.4 percent and this was considerably lower than the figure for the industry as a whole (98.3 percent).

The low level of fulfillment of contractual obligations is associated first of all with the non-fulfillment of plans for the production of the principal types of machines and equipment. Thus, USSR Mintyazhmash [Ministry of Heavy and Transport Machine Building] systematically failed to fulfill its plans for the production of metallurgical equipment and railroad transport equipment,

USSR Minkhimmash [Ministry of Chemical and Petroleum Machine Building]—chemical and polymer equipment and petroleum equipment and USSR Minselfkhoz-mash [Ministry of Tractor and Agricultural Machine Building]—machines and equipment for livestock husbandry and feed production.

In particular, the work of the complex is being adversely affected by shortcomings in the work of its priority branches—machine tool building, instrument making and the electrical engineering industry. The machine tool industry performed in an unstable manner in 1987. The increase in production volume for USSR Minstankoprom [Ministry of the Machine Tool and Tool Building Industry] (3.1 percent) was considerably lower than the average branch growth rates and the branch fell considerably behind in the number of metal cutting machines and forging and pressing machines it supplied to consumers. In the process, the branch's enterprises failed to cope with the established tasks for the production of progressive equipment, required for the technical re-equipping of machine building—metal cutting machines with digital program control, machines of the "processing center" type, heavy duty and unique machines and presses and flexible production modules for various technical purposes.

USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry] also did not ensure fulfillment of the production plans for many types of electrical engineering products—large-scale electrical machines, alternating current electric motors, cable products and a number of types of progressive and highly efficient products.

In 1987, the enterprises of USSR Minpribor did not fulfill its plan for the production of instruments, automatic equipment and spare parts for such equipment. The amounts produced were less than the figures called for in the plan by almost 150 million rubles.

USSR Minavtoprom did not ensure stable operations on the part of the bearing industry and this adversely affected the entire machine building complex. In 1987, of the overall volume of products that was not supplied as called for in contracts signed by enterprises of USSR Minavtoprom, almost one third (approximately 100 million rubles worth) was not supplied by enterprises of the bearing industry. During a year's time, the consumers were undersupplied to the tune of more than 24 million bearings.

At the same time, some quality improvements were noted in the work being carried out by the machine building complex. The scales for the renovation of the products being produced were increased. Compared to 1985 when the proportion of products mastered in the USSR for the very first time amounted to only 3.1

percent of the complex's overall volume of marketable output, in 1986 it increased to 4.4 percent and in 1987—to 9.1 percent (against a plan which called for 7.6 percent).

The production of progressive types of machines and equipment increased at leading rates. Approximately one third of the increase in the output volume of the machine building complex was obtained through the development and increased production of highly efficient types of products during 1987. The structure of the products being produced was improved somewhat. Thus, at enterprises of USSR Minstankoprom, the proportion of machines with ChPU [digital program control], compared to the overall production of metal cutting machines, increased from 9.5 percent in 1985 to 14.2 percent in 1987 and the proportion of processing centers compared to the overall production of machines with ChPU—from 10.5 to 13.1 percent. At enterprises of USSR Minelektrotekhprom, motors of the progressive AI series constituted 15.8 percent (compared to 5.3 percent in 1985) of the production volume of alternating current electric motors with a height of axial rotation of 63-450 millimeters. At enterprises of USSR Minavtoprom, an increase took place in the proportion of automobiles with diesel motors and automobiles which operate on condensed or compressed gas.

The state acceptance of products, introduced in 1987 at 900 enterprises producing approximately one half of all of the complex's output, has had a positive effect with regard to raising the quality and technical level of the products. All of the required preparatory work was carried out in a timely manner at many of these enterprises. At the same time, state acceptance has uncovered numerous instances of violations of technological discipline and it has required the carrying out of additional measures aimed at ensuring that the products being produced conform to the requirements of the state standards and the technical conditions. Each month state acceptance has declined to accept products valued at more than 25 million rubles. Work carried out over the course of a year's time had a positive effect on the quality of the products and the proportion of products accepted by gospriyemka [state acceptance] upon initial presentation increased from 80 to 84 percent.

The absence of substantial positive improvements in the introduction and mastering of new capabilities and the continuance of disconnections and disproportions in the development of mutually related production operations precluded the possibility of achieving stable operations by the branches of the chemical-forestry complex during the first 2 years of the 12th Five-Year Plan.

In 1987, the complex's industry fulfilled the established plans and achieved increases in the production of mineral fertilizers, glass-fiber reinforced plastics and products made from them, chemical fibers and threads, motion picture film, magnetic tape, tires and medicines.

Some positive improvements were achieved in the production structure for chemical products. The production of progressive and highly efficient types of products is increasing at leading rates. The proportion of synthetic fibers and threads compared to the overall production of chemical fibers and threads increased from 57.9 percent in 1986 to 59.6 percent in 1987 and radial tires compared to the overall production of tires—accordingly from 33.1 to 34.9 percent.

At the same time, the level achieved in the production of chemical products is not satisfying fully the requirements of the national economy. The development of the branch is being restrained by a considerable lag in the introduction of capabilities, especially in raw material production operations and in their unsatisfactory development and low utilization. Throughout 1987 as a whole, the planned tasks for the production of raw materials for the production of mineral fertilizers (sulphur, sulphuric acid and synthetic ammonia), chemical fibers and threads (caprolactam, cellulose acetates and caustic soda), synthetic resins and plastics (styrene, phenol, ethylene and benzene). The disproportions that have prevailed in the branch for an extended period of time have precluded the possibility of utilizing the available production capabilities in an effective manner. A considerable lag has been tolerated in the production of such highly efficient types of synthetic resins and plastics as polyvinylchloride resin, copolymers of vinylchloride, polyethylene, polystyrene, copolymers of styrene and polypropylene.

In particular, the lack of connection between certain production operations explains to a considerable degree the lag which has continued over a number of years in the production of pipe and parts for pipelines made from thermoplastics.

The scales for the production of chemical fibers and threads are not satisfying the national economic requirements and particularly those of light industry, which consumes up to 80 percent of the overall production of this product. In carrying out the annual plan for overall production volume, a lag was tolerated in the production of a number of types of chemical fibers and threads and this has resulted in the enterprises of light industry being supplied with 9,000 fewer tons of these products, which are needed for the production of consumer goods. Computations have shown that the mentioned amount of fiber would make it possible to produce hundreds of millions of rubles worth of additional products.

The requirements of light industry for synthetic dyes and textile-auxiliary substances are not being satisfied. Over an extended period of time, no substantial increase has been realized in the production of synthetic dyes and this has been associated to a large degree with the unsatisfactory use of production capabilities and a lag in the



development of new objects. A shortage of chemical raw material products needed for the production of consumer goods raises a need for the importing of such products.

The branch problems are being aggravated by unsatisfactory fulfillment of the capital construction plan and by the irregular placing in operation of new capabilities. Thus, in 1987 the plans for placing fixed capital in operation at installations of a productive nature within USSR Minudobreniy (Ministry of Mineral Fertilizer Production) and USSR Minkhimprom were fulfilled by 76-80 percent.

In the timber, wood-working and paper and pulp industry, a lag has been tolerated in the carrying out of planned tasks for the production of the more important types of branch products—lumber, shaped timber, chip-board panels, cellulose, paper and cardboard. The production of certain types of progressive products—container cardboard and wooden panels—is increasing at inadequate rates. With an increase in the production of cement-chip panels, their production continues to be carried out with a considerable lag compared to the established tasks (fulfillment of the plan amounted to 86 percent).

The production of certain types of timber products per 1,000 cubic meters of wood hauled has been increased.

The established tasks for the production of newsprint of a lower weight-intensiveness, the proportion of which amounted to 57 percent of the overall production of newsprint (in 1986—50 percent), have been exceeded. A reduction in the weight-intensiveness of certain types of paper and cardboard has made it possible to realize a savings of more than 1 million cubic meters of wood raw material.

At the same time, the branch's enterprises have not undertaken radical measures aimed at improving the use of existing production capabilities for the production of technological chips made from wood waste materials, considered to be an effective substitute for valuable grades of wood. The use of capabilities for the production of technological chips is not exceeding 85 percent and this is having an adverse effect with regard to improving the structure for the use of wood raw materials.

Unsatisfactory use is being made of the pool of machines and equipment at timber logging sites and practically every machine has been inoperative for 4 or more months annually owing to defects. Some large timber procurement associations of the ministry are operating in a spasmodic manner. Krasnoyarsklesprom, Dallesprom and Sverdlesprom alone account for almost one half of the 7 million cubic meters of lumber that were not supplied in 1987.

The all-round utilization of wood is being improved only slowly. This indicator is especially low in the eastern regions. The low level of development of the timber industry in the eastern regions is resulting in large irrational shipments of timber and timber products.

In 1987, the construction industry achieved increases in a majority of its construction materials, including in a number of progressive and highly efficient types. The annual plan for the production of cement, including with the use of energy conserving technologies, asbestos cement sheets, pipe and sleeves, asbestos and reinforced concrete triple-layer wall panels for external walls with flexible connections was fulfilled.

However, the industry of the construction complex is not satisfying the national economic requirements for a number of construction materials. The planned level for the production of sectional reinforced concrete structures and products, including panels and other structures for large-panel housing construction, soft roofing materials, construction brick and window glass was not achieved. Coincidental with the lag in planned tasks, an increase took place in the production of certain efficient construction materials (extrusion asbestos cement panels, prefabricated buildings (modules) made out of light metal structures and others) and this adversely affected a solution for the task of converting over to deliveries of products which are in a high state of construction readiness. The principal reasons for the shortcomings in the work of enterprises of the construction complex continue to be low organization of production, violations of technological discipline, interruptions in supply and a lack of readiness on the part of some enterprises for operating under state acceptance conditions.

During the June (1987) Plenum of the CPSU Central Committee, emphasis was placed upon the fact that satisfaction of the population's demand for goods and services is a priority trend in social policy and one which makes it possible to raise the true standard of living for the people. In the all-round program for developing the production of consumer goods and the sphere of services during the 1986-2000 period, the tasks of the ministries, departments and union republics with regard to satisfying the requirements of the Soviet people for high quality goods have been defined more specifically.

During the past year, 327 billion rubles worth of goods, or almost 17 billion rubles more than in 1986, were produced for the population. The production of high quality goods increased at leading rates—especially popular products, goods of improved quality bearing the index "N" and modern items of domestic equipment. The production of especially popular knitted wear increased by a factor of 1.5, sewn products—by a factor of 2.4 and footwear—by a factor of 2.9; the production of two and three chamber refrigerators increased by 34 percent, small-scale washing machines—by 35 percent and cassette tape recorders - by 14 percent.

On the whole, the tasks of the all-round program for industry in the Belorussian, Lithuanian, Latvian and Estonian SSR's are being realized successfully.

However, the situation in the consumer market remains tense. In 1987, the value of the consumer goods produced by industry was 3.6 billion rubles less than the figure called for in the plan. Moreover, the deficiencies in products of a modern technical level, produced by enterprises of union ministries, were quite considerable.

According to the annual plan, some production deficiencies were as follows: 836,000 radios, more than 700,000 television sets, approximately 600,000 tape recorders, 183,000 refrigerators and freezers, 64,000 motorcycles and mopeds, 417,000 sewing machines, 13 million square meters of linen fabric, 27 million square meters of silk fabric, 21 million items of knitted wear, 11 million pair of shoes and other goods, including children's items.

The situation with regard to the quality of goods of extended use is improving slowly. Just as in the past, one out of every two color television sets, one out of every five tape recorders and one out of every 11 radios produced by industry in the RSFSR is being rejected or sent off for repair during the warranty period. In 1987, complaints were registered regarding the low quality of more than one third of the tape recorders being produced by the Riga Radiotekhnika Production Association of USSR Minpromsvyazi [Ministry of the Communications Equipment Industry]. As a result of the production of products involving deviations from the existing standards, complaints are being registered and repair work is being carried out during the warranty period on almost one out of every two color television sets being produced by industry in the Belorussian SSR. One out of every three television sets produced at the Shchyaulay Television Plant of USSR Minpromsvyazi does not meet the modern requirements.

The majority of consumer goods cannot endure competition on the international market and this is borne out by the negligible quantities of these goods being made available for export. Thus, in 1987, the amounts of certain types of sewing and knitted wear, footwear and washing machines made available for export purposes amounted to less than 1 percent of their overall production and in the case of electric vacuum cleaners, television sets, sewing machines and radios—4-13 percent.

In many republics, proper attention is not being given to improving the quality and renewing the assortment of goods being made available for the population.

Each year the enterprises and associations in the Uzbek, Azerbaidzhan, Kazakh, Kirghiz and Tadzhik SSR's produce 500-700 rubles worth of consumer goods per capita and this is considerably lower than the figure for the country as a whole. In the Turkmen SSR, this indicator is 322 rubles annually and this is the lowest level among the union republics.

The non-fulfillment by many associations and enterprises of their planned tasks for the production of consumer goods and for developing the sphere of services and the slow improvements in the quality of the products have precluded the possibility of satisfying the consumers demands.

The year 1988 represents a special stage in carrying out the radical reform of the economic mechanism. The scales for converting over to complete cost accounting and self-financing have been expanded substantially—enterprises which produce 60 percent of the branch's products are now operating under these conditions. The USSR Law Governing a State Enterprise (association) has defined the status of the principal production element of the national economy, it protects enterprises against petty support, against interference in their operational-economic activities and based upon self-financing and self-government it has strengthened the principles of the economic mechanism. The successful fulfillment of the five-year plan on the whole will depend largely upon how consistently these principles are introduced into operations.

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7026

## REGIONAL DEVELOPMENT

### Profit-Sharing Between Enterprises and Local Budgets Discussed

18200229a Moscow FINANSY SSSR in Russian No 4, Apr 88 pp 40-46

[Article by G.B. Polyak, head of a sector at the Scientific Research Institute of Finance and Doctor of Economic Sciences: "Development of Regional Finances"]

[Text] During the June (1987) Plenum of the CPSU Central Committee, the need was recognized for strengthening the relationships between the resource volumes used for the social development of union republics and individual regions and the results of the economic activities of associations, enterprises and organizations located on their territory. At the same time, the need was recognized for utilizing cost accounting principles not only at the branch but also at the territorial levels of administration.

One element concerned with the development of cost accounting relationships in a region is that of increasing the dependence of the formation of local budgetary income upon the activities of enterprises of union and republic subordination. The transfer of a portion of the profit of these enterprises over to a regional budget, the establishment for them of extended norms for budgetary payments and also the granting to local soviets the right to plan independently the use of these funds is opening up greater opportunities for developing their financial base and expanding economic independence.

The problem concerned with further expanding and strengthening the financial base of the local soviets can be solved through growth in their own income, by increasing withholdings from the income of higher budgets and by attracting and merging the funds of enterprises located on their subordinate territories.

The income of local budgets derives mainly from an economy that is subordinate to local soviets. Despite an absolute increase in this income, its rate of growth still lags behind the rate of growth for expenditures. The chief reason for the negligible growth in this income—inadequate development of the economy that is subordinate to the local soviets and a reduction in its profitability. The creation of republic and oblast production associations is bringing about a reduction in the property base of the local soviets. Governmental decrees which have been adopted repeatedly (1971, 1981, 1986) concerning the transfer over to local subordination of enterprises, the products and services of which are being utilized in the area, are still not being implemented to the extent desired. Growth in the income of local budgets must be carried out by transferring enterprises of the food and many enterprises of light industry over to local subordination; raising the profitability of enterprises of housing and municipal services, including through an increase in the rates for their services and particularly for services provided for enterprises and economic organizations.

Under the conditions imposed by strengthening the territorial approach in planning and administration, the functions of the local soviets are being expanded and the workload of local budgets is being increased. For several years now, measures associated with the social development of kolkhozes have been financed through local budgets. In the Armenian SSR, an experiment is being carried out in connection with transferring the financing of agriculture over to local budgets. In order to strengthen the role being played by local soviets in the formation of a social-domestic infrastructure and in the interest of achieving more efficient use of the budgetary resources allocated for this purpose, an experiment will be carried out in a number of regions aimed at transferring all capital investments over to them for these purposes.

The existing system for regulating local budgets possesses a number of virtues. It promotes the territorial redistribution of the country's national income, it makes it possible to ensure that the local budgets are supplied with the needed funds, regardless of the effectiveness of local sources, it creates the prerequisites for smoothing out the levels for the development of individual administrative-territorial units and it stimulates the local soviets towards carrying out the plans for mobilizing the all-state financial resources. At the same time, this system does not reveal fully the dependence of the amount of income in the local budgets upon the economic potential of a region and it does not adequately interest the local soviets in raising the final operational results of the enterprises located on their territory. This

raises a need for improving the methods employed for the formation of local budgets and for strengthening their link with enterprises of a higher subordination.

The purpose behind transferring the funds of higher enterprises over to local budgets lies not only in increasing their resources, but mainly in increasing interest and responsibility, at all administrative levels and at all enterprises, in the economic development of a unified national economic complex and in the final results of the economic activity of each enterprise and organization; activating economic initiative and enterprise and eliminating seniority and departmentalization and also the indifference of local soviets towards the operational results of non-subordinate enterprises; to coordinate the formation of local budgets with the regional economies. The solutions for these national economic tasks in turn will promote a strengthening of the material-financial base of the local soviets and expand their potential for raising the level of financial support for the social-domestic infrastructure.

It was precisely for this reason that Decree No. 876 of 25 June 1986 of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers entitled "Measures for Further Raising the Role and Increasing the Responsibility of the Soviets of People's Deputies for Accelerating Socio-Economic Development in Light of the Decisions Handed Down During the 27th CPSU Congress" called for a portion of the profit of enterprises of union subordination to be turned over to local budgets in 1988-1989.

With the implementation of the measures outlined in this decree, a new stage from the standpoint of quality is opening up in the development of local budgets. Compared to earlier when the formation of their income was based upon the resources of economies subordinate to the local soviets and withholdings from state income and taxes, today other principles are having an effect. The link between the financial base of the local soviets and the local economic potential is becoming stronger as well as the dependence of income upon the operational results of enterprises of higher subordination and the quality of their output. This is a completely new approach for the formation of the income of local budgets and one which promotes more active participation by the local soviets in developing the country's economy.

Turning over a portion of the profit of enterprises or higher subordination to the local budgets can be carried out using several methods, including a form of payment for labor resources, payments for natural resources, withholdings from payments from profit and withholdings from profit. An analysis of the use of these payments for forming the income of local budgets underscores the fact that withholdings from profit satisfy to a greater degree the requirements for coordinating the all-state, branch, territorial, collective and personal interests.



First of all, profit constitutes one of the final operational results of labor collectives and it describes the level of economic development of regions. Hence, by turning a portion of it over to local budgets, the formation of such profit is coordinated more closely with the results of economic development in a region.

Secondly, the distribution of profit among enterprises (a place for applying the labor of the population) and the local soviets (the territory in which the population lives) promotes to a greater degree implementation of the process of reproduction of manpower. Profit added to local budgets will serve as an important source for the formation of the regional consumption funds employed for satisfying the needs of workers and the members of their families in the areas in which they reside. In the process, interest is created among the enterprises and local soviets in achieving more efficient use of all types of resources, including production, labor and natural, and also in raising the production and economic indicators and lowering losses and damages. All of this leads to an increase in the amount of profit obtained in a region.

Thirdly, after having been designated as the source for local budgets, the profit of enterprises of higher subordination establishes a closer dependence between the financial support for a social-domestic infrastructure and the final results of economic activity in a region and this in turn leads to a more proportional development of the sphere of material production and the social-domestic infrastructure and it opens up broad opportunities for solving social tasks.

In 1987, enterprises of union subordination transferred 318 million rubles, or 0.5 percent of their overall income, over to local budgets. The norms for the enterprises were approved by the appropriate ministries for 5 years in the amount of from 0.5 to 10.5 percent of the total amount of computed profit.

An analysis of the practice of turning these funds over to local budgets made it possible to draw a number of conclusions. The transfer over to local budgets of a portion of the profit of enterprises of union subordination promotes a strengthening of the economic links between the local soviets and these enterprises and it raises the interest of the local soviets in improving the operational results of all enterprises located on their territories.

At the same time, not all of the problems in the new system for turning over the profit of enterprises of higher subordination have as yet been worked out and shortcomings still persist: as a rule, the ministries do not coordinate the norms for withholdings for local budgets with the enterprises and they are made available to all of their enterprises in the same amount: the small amounts of withholdings from profit, established by the enterprises, lower the interest of the local soviets in these payments; there have also been instances when the approved norms led to the creation of surplus funds in

the local budgets; the local soviets have only limited opportunities at their disposal for influencing the formation of the plans of enterprises and their carrying out. There are also various opinions regarding what type of profit must be taken into account when determining the payments into the local budgets—computed, planned or balance profit.

Some economists have proposed that payments by enterprises of higher subordination not be included in a transfer over to local budgets. We cannot agree with this position for a number of reasons. The USSR economy is a unified national economic complex, the operational results of which determine the development both of the sphere of material production and the non-productive sphere. They are mutually related and cannot develop apart from one another. Otherwise, disproportions will arise.

Strengthening the dependence of the income of local budgets upon the operational results of enterprises of higher subordination will eliminate the disproportions in the development of the productive and non-productive spheres and strengthen their mutual links and the proportionality of the income obtained in the productive sphere with expenditures in the non-productive sphere. This solution is dictated by the fact that, first of all, the volume of resources allocated for social needs should be "united more closely with the effectiveness of the regional economy" and, secondly, the "worthless practice of redistributing income when the losses of backward enterprises, ministries and regions are covered at the expense of those which are operating on a profitable basis"<sup>1</sup> must be discontinued.

Similarly, the principle of cost accounting must be developed in branches of the national economy and in territorial economics. A need exists for overcoming the parasitic tendencies of certain regional organs of government which are striving to obtain funds from higher budgets with no special effort being made on their part. At the same time, the population should feel that the level of civic improvements and services, that is, the status of the territory's economic and social development, are dependent upon the operational results of the labor collectives. Thus the ministries, labor collectives, local soviets and the entire population must be interested to an equal degree in the final operational results of all of the enterprises. They must also bear equal responsibility for poor work and share the losses. Only if these conditions are met will it be possible to merge the national, departmental, territorial, collective and personal interests.

Based upon these prerequisites, a reduction in funds being assigned to local budgets by enterprises of union or republic subordination represents the first signal for local organs of government concerning an unfavorable

status of affairs in the economy of a region. A more lively response can be made to this signal in view of the fact that it is transmitted over economic rather than administrative channels.

A number of approaches are available for solving the tasks concerned with intensifying the dependency of the formation of local budgets upon the results realized from developing the economy of a region, by transferring over to it a portion of the profits of enterprises of higher subordination based upon long-term and stable norms.

For one approach, no quantitative changes are anticipated in the distribution of state budgetary funds among elements of the budget system and the volume of all of the local budgets, when a portion of the profits of enterprises of higher subordination is transferred over to it, remains unchanged, since other sources are reduced by this amount. In the case of a second approach, quantitative changes are called for.

In the former instance, it appears advisable, when determining the amount for the withholding norms, to take into account the regional requirements for financial resources and this in turn must predetermine the indicators for their five-year plans for economic and social development. Thus the norms for enterprises and regions must be differentiated. In the process, the following variants for determining and establishing the norms are possible.

The first variant—the local financial organs coordinate with the enterprises the normative amount for their payments into the local budget; the enterprises report the amount to their ministries and the latter in turn report it to USSR Minfin [Ministry of Finances] and to the union republic ministries of finance for the purpose of inter-budgetary mutual accounting. The second variant—the branch ministries coordinate the norms for their enterprises with the union republic councils of ministers and these in turn make them available to the local soviets.

When determining the amount of the norm, the following conditions should ideally be taken into account: the payment must not be a dominating factor in the local budgetary income (that is, not more than 30 percent of the total amount of income), but its amount must be large enough to ensure that the mentioned source interests the local soviet in the work being carried out by the enterprises of higher subordination.

It is our opinion that this method for transferring the funds of enterprises of higher subordination over to local budgets is most realistic, since under conditions in which the five-year plans have already been formed it is difficult to alter the relationships between the elements of a budgetary system.

At the same time, it bears mentioning that this method does not fully interest the local soviets in the final results realized from the economic development of regions,

since it limits their opportunities for obtaining above-plan income and does not provide an adequate link between regional expenditures and regional income. Thus, new methods must be sought for forming the income of local budgets. Moreover, emphasis should be placed upon the fact that the local budgetary volumes will depend upon the results realized from the economic development of regions, that "surplus" funds obtained will not be immobilized in higher budgets and that a shortage of funds being received from enterprises will not be reimbursed from higher budgets.

The question concerning the formation of income for all budgets will basically be approached from another standpoint. Under modern conditions, with special urgency being attached to the problem of reinforcing the territorial approach in planning and administration and with almost all state budgetary sources being distributed among all elements of the budgetary system, the concept of the formation of territorial income and the distribution of such income among all types of budgets should ideally be developed. Here we have in mind the conversion over to the territorial principle for the formation and distribution of state income instead of the departmental principle (according to the types of budgets). The amount of income for all of the budgets will be determined based upon long-term norms in percentages of the total amount of income for the state budget, created on the particular territory. It appears that such a method opens up broader opportunities for the development of cost accounting principles in a regional economy, for merging national and territorial interests, for raising responsibility at all administrative levels for the final results of economic development and for strengthening the relationship between regional income and expenditures.

For further expanding the financial base of the local soviets and intensifying the economic methods for influencing the policies of ministries with respect to the placement of productive forces, the following should ideally be introduced into operations: a payment for land tracts allocated for new construction; a tax for the use of land tracts for all categories of land users (state and cooperative enterprises, population and others, including horticultural associations); a payment for water for all categories of users, including agricultural and transport enterprises; a payment for the extraction of minerals in regions; a raised payment, differentiated by regions, for the use of above-limit natural and labor resources; a payment for the construction of production installations not provided for in the plans for all-round economic and social development of regions; fines and sanctions for overexpenditures of raw material and fuel resources.

In the interest of finding additional sources for the financial resources needed for accelerating the development of a local economy, the local soviets should be authorized to carry out the following: introduce new types of local taxes and duties; issue local special purpose loans; organize local money-gift lotteries, auction-sales

of equipment, raw materials and goods for which there is strong consumer demand, utilizing the resources of the population for developing enterprises of local industry, trade, domestic services and other branches, with dividends being paid out from the profits of these enterprises.

The problem concerned with strengthening the financial base of the local soviets must also be associated with the creation, within the framework of the regional budgets, of reserve funds of financial resources. They should ideally be created within the republic, oblast and municipal budgets for covering cash flows and for furnishing assistance to subordinate budgets.

An important question is that of providing incentives to those regions and local soviets that achieved higher economic results on their territories than those called for in the plans. The normative method for carrying out withholdings from profit created in a region will make it possible to obtain more for local budgets during over-fulfillment of a profit plan. At the same time, it is still not possible to stimulate the workers of local soviets and their organs. It is deemed advisable in this regard to create an incentive fund at the republic level, using withholdings from the net surplus funds of local budgets. A criterion for evaluating the economic activities of local organs, that is, the basis for providing them with incentives, could be the indicator which we developed for the budgetary results of a region—the ratio of the difference between a region's budgetary income and expenditures compared to the average annual size of its population.

Thus, during the remaining 3 years of the five-year plan, a new mechanism should be created for the formation of regional budgets and be made available for use during the 13th Five-Year Plan. The chief goal consists of strengthening the cost accounting principles in the regional economy. These principles must be utilized during all stages of the budgetary process.

During the stage of budgetary planning, the following actions must promote the development of the cost accounting elements:

—a change in the normative base for determining the amount of expenditures, based upon the introduction of consolidated norms and normatives, established for extended periods and taking into account regional peculiarities, climatic zones and other factors;

—the establishment of stable (for a five-year period) norms for withholdings from state income and taxes.

During the course of carrying out the budget, greater rights should ideally be extended to the regional organs in the use of budgetary resources. Towards this end, they should be allowed to redistribute budgetary appropriations among the sections of budgetary classification.

One urgent problem of populated points is that of overcoming the existing disproportion in the development of industrial, construction and transport enterprises and organizations and the social-domestic infrastructure and also the disproportion within the infrastructure itself (for example, development of the municipal economy lags behind housing construction).

One method for solving this problem is that of increasing capital investments by attracting the funds of departments not only for housing construction but also for the development of the entire social-domestic infrastructure for the populated points. A source for such funds could be percentile mark-ups for the cost of 1 square meter of the housing fund. Based upon scientifically sound norms for the distribution of capital investments for developing the socio-domestic infrastructure of a city, settlement or the completeness of their building plan, enterprises, by means of capital investments obtained from a higher department and also funds for socio-cultural measures and housing construction, can introduce funds in the form of share participation not only for 1 square meter of housing space, but in addition they can add 20 percent to this amount for cultural-domestic construction and 20-23 percent for engineering equipment and civic improvements in a microregion. The construction of an entire housing complex is ensured by a local soviet.

In addition to the resources of local budgets, for financing the socio-domestic infrastructure in populated points, use is also made of the resources of enterprises and organizations located in the area. With the development of cost accounting relationships in the national economy, an increase will take place in the resources of enterprises intended for social development. With a conversion over to self-financing, the importance of the funds for social development will increase even more. At the same time, enterprises will not always have an opportunity for mastering the funds obtained or for using them in a sufficiently effective manner.

An all-round solution for the socio-economic problems concerned with regional development requires a coordination of efforts and a merging of the material and financial resources of all state and social organizations and enterprises located on the territory of a local soviet. Beyond any doubt, the leading role in this work must be played by the local soviets. At the same time, existing legislative acts and normative documents preclude the possibility of the local soviets carrying out this role completely. First of all, a solution has still not been found for the problem concerned with the methods to be employed for merging the financial resources of enterprises and organizations located on the territory of a local soviet, for developing the socio-domestic infrastructure of the populated points.

For the purpose of concentration and more efficient use of the funds allocated by enterprises for the maintenance of general use installations, a non-budgetary "territorial fund for economic and social development" should



ideally be created in the populated points and particularly in large cities and this should include the opening up of a special bank account. This fund can be formed using above-plan income of the local budget, above-plan profit of enterprises, resources from their economic incentive funds and other sources. A portion of these funds can be used for the creation of a higher centralized non-budgetary fund (oblast, republic) for the financing of above-plan measures on an oblast and republic scale (for example, developing various lines of communication, carrying out environmental protection measures, creating recreation zones and so forth). A need exists for developing a statute which would regulate the conditions for the formation of such a fund and the rights of a local soviet and enterprises in connection with its use.

Transferring resources from economic incentive funds over to a "territorial fund for economic and social development" must be carried out with the consent of the labor collectives.

The resources can be used through a territorial inter-branch association created and attached to the executive committee of the local soviet. This association will coordinate its actions concerned with the use of this fund with enterprises which participate in its formation.

The urgency attached to the creation of non-budgetary funds is conditioned by the following circumstance. As is known, enterprises, using their own resources, furnish rather considerable assistance to institutes which they are supporting and which are subordinate to the local soviets. They are thus able to reduce the workloads on the local budgets. With the conversion of enterprises over to self-financing, there will still be a possibility of a reduction taking place in the patronage assistance being provided in its present form and this will require an increase in the expenditures of local budgets. A solution for this situation will be the creation of non-budgetary regional funds, including funds for the social development of enterprises.

The creation of such funds at populated points will promote the following: a reduction in the budgetary workload; an increase in the material interest of local soviets in the results of economic activity in a territory; a strengthening of the financial resources of local soviets; development of the social-domestic infrastructure; more efficient use of state material and financial resources.

An increase in the role played by local soviets in economic and cultural construction will raise the importance of all-round territorial planning. A need will appear for developing summary financial plans within the structure for the all-round plans for regions, in which the formation and use of territorial finances, that is, all financial resources used on the territory of local soviets and particularly for all-regional and inter-branch requirements, will be reflected.

The preparation of a territorial summary financial plan will make it possible to: determine more accurately the financial resource volumes available in a region and required for carrying out the measures called for in the plan for all-round development; coordinate the use of the financial resources of both the local organs and enterprises of higher subordination that are located in the region; concentrate financial resources on the more important trends for a region's economic and social development during each specific period, find intra-regional reserves for financing the measures outlined in the plans for all-round development.

The merging of the resources of local soviets and enterprises will make it possible to create a system of regional finances and this will require the development of methodological principles and a model for organizing finances, including elements for the formation, planning, merging and use of the financial resources of a region (regional budgets and the resources of enterprises).

#### Footnote

1. Materials of the 27th CPSU Congress. Moscow Politizdat, 1986, Article 38,34.

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7026

#### Compensation for Rising Prices Discussed

**Economist Interviewed on Proposed Changes**  
18200224a Tallinn SOVETSKAYA ESTONIYA in  
Russian 18 May 88 p 2

[Interview with Yukhan Sillaste, director of the Estonian Branch of the Scientific Research Institute of Labor of the USSR State Committee on Labor and Candidate of Economic Sciences: "Increase in Prices—With Compensation?"]

[Text] "Rumors abound: soon everything will become more expensive." Would that they were only rumors! Everyone is excited over the impending reform in price formation. For a long period of time we took pride in the stability of our food product prices and yet the discussions taking place today with regard to raising these prices affect all of us. Thus it comes as no surprise to learn that our editorial board is receiving phone calls concerning an article published on 11 May in the newspaper RAKHVA KHYAEL under the title "We Are Proposing the Payment of a Cash Subsidy." The readers are awaiting a thorough discussion of this subject in the Russian language, a subject which is of interest to everyone.

Today we are publishing a discussion which took place between our correspondent and the author of an article which appeared in the newspaper RAKHVA KHYAEL, Yukhan Sillaste, director of the Estonian Branch of the Scientific Research Institute of Labor of the USSR State Committee on Labor.

Permit me first, in the interest of clarifying the problem, to mention our concept. We propose an increase in prices and we also recommend that the subsidy to be issued by the state for the production of the principal food products—meat and milk—be divided equally among all residents of the republic, including infants in arms. Are there any questions?

[Question] Certainly. It is well that this question has been discussed more than once in the press (the problem concerning prices is indeed a painful one). But should we not once again analyze where these subsidies are to come from and why?

[Answer] Here then is some simple arithmetic for a start. A farm turns over a bull weighing 420 kilograms (with horns and hooves) to a meat combine at a price of 2 rubles and 79 kopecks per kilogram. The true yield of meat following processing—52 percent. Naturally, the per kilogram price is thus raised to 5.36. But in a store it is sold for 1.95. The difference of 3.41 is paid by the state out of its own pocket. This then is the subsidy which we all automatically receive when we purchase not only meat but also milk, cheese, yogurt and other products in a store. In this manner the residents of Estonia are being provided with approximately 400 million rubles. Plus almost 150 million in subsidies for our sales of vegetables, fish and macaroni products. The overall total—500 million rubles. Surely you will agree that these are impressive figures.

[Question] This is on a global scale. The consumer psychology is affected to a greater degree by the absence of meat on the counters or, at best, by a poor selection of meat or an inadequate assortment of cheeses and vegetables. A legitimate question arises: what happens to these billions of rubles in subsidies?

[Answer] The fact of the matter is that the state does not control them and only God knows what happens to them. The situation that prevails today was forecast by Professor Novoshilov in 1925. He warned that if we follow the path of low prices and indulge the average man in the street, then we will only help those who already occupy places closer to the "feeding trough." And this is what has happened.

By no means is a simple working man receiving the full amount of a state subsidy today. Upon leaving work, he visits stores and encounters either empty shelves, long lines or a miserly selection of goods that quickly disappears. Access to a state counter and, it follows, to a subsidy, is in the final analysis enjoyed by those who have greater earnings or the funds for cooperative prices.

But who is willing to pay more if it is possible to obtain the same product at a cheaper price? And thus we are discussing here an increase in labor intensity, wage differentiation and ensuring the availability of consumer benefits. But just try to obtain these benefits! What stimuli for work will it then be possible to discuss?

[Question] And do you believe that a payment of a cash subsidy somehow changes the situation? Indeed, judging from all appearances, there will be no abundance of products in the immediate future.

[Answer] There may or may not be an abundance and yet a variety of products should appear. In addition to cheap sausage meat (now 1.60 and then approximately 2 rubles), there will be delicacies selling for 10 rubles. And the meat will not be "averaged out," with a mandatory addition of bone and fat to provide a decent taste, but rather it will be by varieties: sirloin, brisket and so forth. We have already forgotten the names of such things and we have not seen colorful pictures of dressed carcasses hanging in the stores for some time now. It is said that one should not ask for that which is not available. It bears mentioning that in the 1960's, when average wages were on the order of 100 rubles, only 40-50 kilograms of meat were consumed annually. The stores then had sausage meat, meat and smoked products, but no money was available.

[Question] Are you stating that surplus money is available at the present time?

[Answer] Precisely so. Wages are increasing. We may soon reach a situation in which there will be nothing to spend it on. If no order is restored to the price system, there may not be enough products to go round regardless of the amounts produced. Thus, there is no special selection available to us. The economic laws must be followed if the national economy is to be managed in a scientific manner. A requirement at the present time is that of lowering expenditures for the production of food products by twofold. Thus the solution is to raise prices in conformity with the production expenditures in the foreseeable future, that is, raise the prices. But this must be done in a manner that will not lower the standard of living of the people.

[Question] Could you set forth your specific recommendations?

[Answer] We recommend that the retail prices be adjusted in the following manner no later than 1 January 1989 on the territory of the Estonian SSR:

- increase the prices for meat and dairy products by almost twofold;
- introduce a compensatory payment for each resident of the republic in the amount of approximately 20 rubles per month;

—taking into account the inevitable growth in prices (by almost twofold) for other products as well (bread, groats, macaroni products, potatoes, vegetables, fish), compensation should also be paid for these products.

Thus a purchaser will receive back in compensation an amount equal to that which he lost.

[Question] Where is the sense in this? Is this not simply moving the money from one pocket to another?

[Answer] The probable results of the recommended variant are as follows. By raising prices that are compensated by subsidies, we may be able to avoid the rationing system which we have already lived through in a number of cities and which was of no credit to the economy. This is the first consideration. And the second—a true step to social fairness will exist when an equal subsidy smooths out the opportunities. A third consideration—to lower the difference between our retail prices and the market prices in neighboring regions, since this will reduce the “escape” of products. Prices which are higher than the state prices in our market will accordingly guarantee higher quality products and this will apply even to vegetables. Further, the sovkhozes and kolkhozes will be able to sell their above-plan products, for which there is a high demand, at the market and in commission stores and this will also be of advantage to the purchaser. Generally speaking, the market becomes richer with products and the quality of the products improves.

[Question] But does a rural resident profit from such an arrangement? Indeed, there will still be the paradox wherein those who produce the meat will be unable to purchase it. It is enough merely to glance in the rural stores in order to become convinced of this fact.

[Answer] I would like to discuss this matter. For example, a kolkhoz member knows that the meat which he produces costs more than 5 rubles. Yet it is possible to obtain it in a store for only 1.95. There is a certain psychological effect: it is more profitable to turn over a bull rather than consume it, since it can later be purchased in a store at a cheaper price. Compared to 1980 when one third of the meat in the ration of an Estonian rural resident was provided by the private economy (the remaining amount was supplied by stores and the market), by 1985 this figure had declined to only one fourth.

It bears mentioning that it is impossible to even imagine such a situation developing in other developed countries. We carried out a comparative analysis of our wages against those in European countries. Curiously enough, wages in the sphere of culture and agriculture were lower there than in other branches. In culture, because of the prestige attached to such work, service is considered to be a form of compensation itself. And in the case of rural residents, not only the monetary income but also the natural product are automatically taken into account in the consumption fund. There nobody would think of

bringing a young pig to a store and using the money earned for purchasing its meat. Indeed, along the way it would become more expensive (transport, overhead expenses, processing). In our case, the situation is just the opposite: the product becomes cheaper as it moves closer to the consumer. It can only be described as an economic absurdity.

[Question] Why is it that such subsidies are not simply added to the wages, stipends or pensions?

[Answer] We are categorically against such action. In accordance with our concept, wages are often viewed as “salary.” And a subsidy is a social payment. Perhaps it even involves the use of a special checkbook (with the condition that the entire sum is not taken in advance).

We discussed the question of subsidy differentiation. And we drew the conclusion that only absurd results are obtained when such an approach is employed. For example, less for children and more for adults, less in Narva and more in Vyrū (different conditions), more for a worker and less for an artist, less for a heavy person (so that he can lose weight) and more for a thin person (so that he can recover). No, this will not do. All must be judged according to the same characteristic, such that one neighbor does not estimate the weight of his neighbor or complain to a vegetarian. And if somebody earns more than others—let it be pensioners, students or families with many children.

[Question] Are you confident that your recommendations represent the best solution and that they will be accepted?

They represent the best owing to the fact that such a variant appeared independently in three scientific collectives in Tallinn and Tartu. The article in RAKHVA KHYAEL was signed by R. Otsason—director of the Institute of Economics of the Estonian Academy of Sciences, A. Kuddo—head of a sector at the same institute, A. Sirendi—director of the Scientific Research Institute of Farming and Land Reclamation, M. Khabakuka—head of a department at the Institute for Improving the Skills of Leading Personnel and also by myself. All of us belong to a scientific section of a committee of the Presidium of the Council of Ministers for implementing improvements in the administration of and planning for the republic's national economy. We are all economists. Based upon an economic analysis and approach, we also risk furnishing similar recommendations for society. Are they listening to us? Here we appear in the role of parents who, desiring the best for their children, do not tire from furnishing advice. And the children do as they wish. I do not delude myself and thus I believe that initially 75 percent of the population will oppose our idea. But if they give some thought to the matter and weigh the outcome...

[Question] Why so many?



[Answer] According to my estimates, at least 7 groups of the population consider themselves to be deprived by such a distribution. Those who stand close to the channels of distribution (salesmen, their relatives and friends). This is number one. Visitors to special snack bars and distributors—number two. Tourists, for whom a trip to Estonia is becoming more expensive. Even the owners of large dogs, which are fed not only bones, are indignant over the fact that there will be no subsidies for their dogs. In short, it is impossible to please everyone.

[Question] And is your idea supported "on high?"

[Answer] A preliminary exchange of opinions on this subject has taken place in Moscow. Workers attached to the central organs are even interested: it is difficult to calculate everything on a country-wide scale and particularly in view of the fact that all of the regions have their own specific conditions. And here it is possible to carry out a test within the framework of one republic. Importance is attached to not leaving the center with an untested idea that is not backed up by social approval or computations.

[Question] Properly speaking, this would be in behalf of this article in RAKHVA KHYAEL and out discussion today. Is this not so?

[Answer] Only not for the sake of "warm general approval," as they wrote about earlier. We need specific recommendations and even objections—indeed, truth is generated in a dispute. This is particularly true in view of the fact that we do not lay claim to truth in the latter instance. Even physicists have rejected the idea of a perpetual engine. And such a thought is especially impossible in economics.

Thus it is important for us to receive letters—a great variety of them. And a chief concern will be for them to reflect an understanding of the problem. Obviously, they will be sent in by those who adhere to the principle: "better to live worse but cheaper" or "better to remain without a cow than to tolerate a situation in which a neighbor has two of them." Generally speaking, we are prepared for a constructive discussion and a dispute from any side and with all types of accusations. We must all (science, the organs of administration and social opinion) "mature."

I believe we can stop at this point and await the letters from readers.

#### **Additional Questions Raised**

18200224a Tallinn SOVETSKAYA ESTONIYA in  
Russian 7 Jun 88 p 1

[Article by S. Umanskiy, Candidate of Medical Sciences:  
"We Are Carrying Out a Simple Computation"]

[Text] One subject which is presently being discussed on an extensive scale is the proposed increase in prices for products of primary need. The article entitled "Increase

in Prices—With Compensation" (SOVETSKAYA ESTONIYA 18 May 1988) once again returns us to this question. The logical nature of the opinions expressed by Candidate of Economic Sciences Yukhan Sillaste is very impressive. It would appear that everything was well thought out and that an increase in prices is inevitable. And at the same time, a number of questions arise.

The dynamics for the growth in prices, for example for meat and dairy products within the republic, are not entirely clear (and such dynamics—a working document—should be available for practically all goods). I have been living in Tallinn for more than 30 years and I remember, for example, when it was profitable for a private trader to sell meat and veal (veal was still available at the time) at market, at prices which were equal to or slightly higher than the state prices.

Knowledge of the growth dynamics for prices is needed not for satisfying curiosity but rather for validating the need for monetary subsidies at a particular time. It is no secret that in a majority of the economically developed countries, when devaluating a monetary unit, which brings about an increase in the cost of goods, a definite percentage is added to the wages to compensate for the difference. To state it crudely, the "stomach" of a worker does not suffer and to a certain extent only that amount which an individual lays aside for a "dark day" (in a bank or cashbox—it is of no importance) tends to depreciate. We have never had such a balanced increase in wages. Each increase in wages was either publicized or carried out in a manner such that we discharged a number of official workers, assumed their work ourselves and, as a result, received somewhat more wages on payday. Thus, aware of the growth dynamics for the prices for food and industrial goods, we should first of all compute the following: what should the wage be for a worker in the republic today. It then turns out that not the subsidy (I do not know what the situation is for you, but I cannot rid myself of the thought that a "good uncle" gives me charity) but rather the real wage must be such and so...

Concerning subsidies amounting to one half million rubles, I believe that these are not subsidies in the fullest sense of the word, since they were taken out of our pockets. We paid them for excessively expensive industrial goods and so forth. An increase in prices only for meat prices inevitably leads to a situation in which everything becomes more expensive, since nothing is isolated in our life. Thus the increase in prices with subsidies, as proposed by Yu. Sillaste and his colleagues, will only serve as a palliative, that is, it will produce only a temporary effect (it is my opinion that it will be of short-term duration). Prices will continue to rise so long as the price of money remains unstrengthened and the ruble depreciates only nominally.

And lastly. Let us carry out a simple computation. For example, a family consisting of three individuals receives compensation for meat and dairy products

amounting to 20 rubles and for the remaining products (bread, fish and others)—10 rubles. Thus it always has 90 rubles in its pocket. The family earns an unspecified amount of money. Will this not have an adverse effect on the social activity of citizens?

Thus I am not in agreement with the proposed system. I propose that it be replaced by the following:

Establish a minimum living wage taking into account the prices which have existed up until the present time. We must know the "signature of poverty" from sometime in the past. In other words, there must be a definite base and not eternal discussions.

Instead of a system of subsidies, a system of constantly balanced increases in wages should be introduced into operations. The wages should be raised as the ruble is devalued.

In order to slow down the devaluation, measures should be introduced aimed at strengthening the internal and foreign value of the ruble.

Unfortunately, we are not that rich that we can carry out measures which produce only a temporary effect. We need constant confidence in the future.

7026

## RESOURCE UTILIZATION, SUPPLY

### Gossnab to Conduct Wholesale Trade in Transfer Rubles

18200253a Moscow

MATERIALNO-TEKHNICHESKOYE

SNABZHENIYE in Russian No 5., May 88 (signed to press 25 Apr 88) pp 16-17

[Article: "And For Transfer Rubles"]

[Text] For purposes of further stimulating the development of economic cooperation with the CEMA member states, creating an interest in expanding exports and imports with these countries, as well as establishing the order of wholesale trade in products of industrial-technical description, the USSR Council of Ministers has adopted the resolution "On Organization of Wholesale Trade in Products of Industrial-Technical Description For Transfer Rubles".

A USSR Gossnab [State Committee for Material and Technical Supply] proposal was adopted regarding the implementation of wholesale trade in products of industrial-technical description for transfer rubles. This trade will be conducted by the USSR Gossnab all-union cost accounting foreign trade association "Vneshpromtekhnobmen." The material resources to be used in wholesale trade for transfer rubles must be formulated from the products imported from the CEMA member states, as well as certain products of domestic manufacture.

Every year, beginning in 1989, the USSR Gossnab, in conjunction with the USSR Gosplan [State Planning Committee] and the USSR State Committee on Computer Technology and Informatics, will provide a separate allocation in the balances and distribution plans for the USSR Gossnab (V/O "Vneshpromtekhnobmen") for wholesale trade for transfer rubles in resources for products of industrial-technical description imported from the CEMA member states. In this same order, the specified departments will allocate resources for products of industrial-technical description of domestic manufacture in accordance with their approved lists, according to the nomenclature and in the volumes ensuring full commodity coverage of the funds in transfer rubles available at the USSR enterprises, associations, organizations, and departments, and the union republic Councils of Ministers. No deficit will be allowed in balancing the transfer rubles and appropriate material resources which the enterprises, associations and organizations have at their disposal.

The resolution notes that the enterprises, associations and organizations may sell through wholesale trade the products of industrial-technical description manufactured in excess of the state order or in excess of their responsibilities according to economic agreements. In this case, the manufacturing enterprise (association) receives payment monies in transfer rubles to its currency fund in accordance with the standard set for the provision of products for export.

The USSR Gossnab submits to wholesale trade for transfer rubles primarily the product resources of industrial-technical description which have been earmarked for export, but not sold on the foreign market and returned to the national economy.

The foreign trade organizations of the USSR ministries and departments which buy products of industrial-technical description in the CEMA member states in accordance with their approved annual plans must hand these products over to the USSR Gossnab for organization of wholesale trade in the volumes and nomenclature corresponding to the balances and distribution plans.

It has been determined that the All-Union cost accounting foreign trade association "Vneshpromtekhnobmen" is performing the functions of a middleman in the wholesale trade of products of industrial-technical description for transfer rubles. The association formulates resources of products earmarked for such trade and provides for their sale to buyers.

An order has been established for concluding agreements for the purchase of import products of industrial-technical description by the all-union cost accounting foreign trade association "Vneshpromtekhnobmen" with Soviet foreign trade organizations. This is in accordance with the order for establishing contractual relations between

Soviet buyers of import goods and foreign trade organizations. Wholesale trade in products of industrial-technical description for transfer rubles is conducted at all-union and regional trade fairs organized by the USSR Gosnab.

The USSR Gosnab is responsible for determining the periodicity, time and place of conducting these trade fairs, for creating their working organs, approving managers and personnel, determining the order of work and the make-up and number of participants in the trade fairs, resolving other questions associated with the organization and staging of the trade fairs, concluding agreements and coordinating specifications, and taking measures for seeing that consumer orders are met to the fullest possible degree.

It is recommended that the all-union cost accounting foreign trade association "Vneshpromtekhobmen" sell products of industrial-technical description to buyers through wholesale trade at contract prices. The order of setting and applying the contract prices in transfer rubles is determined by the USSR Gosnab upon agreement with the USSR State Committee on Prices and the USSR Ministry of Finance. The contract price in transfer rubles is recalculated into Soviet rubles in the order applied in the import of goods.

In response to the resolution by the USSR Council of Ministers USSR Gosnab Chairman L. A. Voronin issued Order No 167. According to this document, V/O "Vneshpromtekhobmen," in conjunction with the USSR Gosnab Consolidated Department on Foreign Economic Ties and the Balances and Wholesale Trade Departments, is responsible for preparing annual lists of products of industrial-technical description by 1 March of the year preceding the plan year. These lists must also be coordinated with the appropriate subsections of the USSR Gosplan and the USSR State Committee on Computer Technology and Informatics, and presented for approval to the management of the USSR Gosnab, USSR Gosplan, and the USSR State Committee on Computer Technology and Informatics. The lists must include products imported from the CEMA member states, as well as those domestically produced and sold through wholesale trade for transfer rubles. These products must be listed in the nomenclature and volumes ensuring full commodity coverage of the funds in transfer rubles held by the enterprises, associations and organizations, USSR ministries and departments, or union republic Councils of Ministers.

The all-union cost accounting foreign trade association "Vneshpromtekhobmen" and the USSR Gosnab Consolidated Department of Foreign Economic Ties have been instructed to develop a model contract to be drawn up between the V/O "Vneshpromtekhobmen" and the buyers for supply of products sold through wholesale trade for transfer rubles. They must also compile a list of potential buyers based on the information presented by the USSR Vneshekonombank [Foreign Economic Bank],

and supply information on the availability of currency funds in transfer rubles in the accounts of the USSR enterprises, associations, organizations, ministries and departments, and union republic Councils of Ministers. They must participate, along with the USSR Vneshekonombank and the USSR Promstoybank [Industrial Construction Financing Bank], in establishing the order of giving credit and accounting for products of industrial-technical description sold through wholesale trade for transfer rubles.

It has been recommended to the USSR Gosnab Balances and Wholesale Trade Sections that they provide annually, beginning with the plan for 1989, for the allocation of a separate line in the balances and plan distributions developed by the USSR Gosnab. This would be entitled "To the USSR Gosnab (V/O "Vneshpromtekhobmen") for wholesale trade for transfer rubles" and would comprise the resources for products of industrial-technical description according to the list approved by the USSR Gosnab.

The USSR Gosnab Consolidated Section of Material Balances and Reserves and the Balances and Wholesale Trade Sections are responsible for presenting to the USSR Gosnab management their proposals on directing resources for products of industrial-technical description earmarked for export but not sold on the foreign market and returned to the national economy, in first priority order to the V/O "Vneshpromtekhobmen," for wholesale trade for transfer rubles.

The V/O "Vneshpromtekhobmen," the USSR Gosnab Consolidated Section on Foreign Economic Ties, and the USSR Gosnab Section for Developing Material-Technical Supply have worked out an order for implementing wholesale trade in products of industrial-technical description for transfer rubles.

The V/O "Vneshpromtekhobmen" has prepared a Directive on the organization and implementation of all-union and regional trade fairs for wholesale trade in products of industrial-technical description for transfer rubles. This directive provides for the order of realization [of these products] in the period between trade fairs. Proposals have been submitted on conducting an all-union trade fair in 1988 for wholesale trade in products of industrial-technical description for transfer rubles, and on the organization of an ongoing exhibition of prototypes, catalogs and other informational materials to acquaint buyers with the products of industrial-technical description offered for wholesale trade for transfer rubles. Work is being conducted with the enterprises, associations and organizations on the identification and sale through wholesale trade of products of industrial-technical description manufactured in excess of state orders and economic contract responsibilities.

Talks will be held with the trade representatives of CEMA member states in the USSR regarding the possibility of using specialized exhibits set up by these countries on USSR territory for the purpose of acquainting



buyers with products supplied to the USSR and sold through wholesale trade for transfer rubles.

Considering the particularly current nature of the question of organizing wholesale trade in products of industrial-technical description for transfer rubles, it has been decided that the Consolidated Section on Foreign Economic Ties and the V/O "Vneshpromtekhnobmen" will present quarterly reports in 1988 to the USSR Gosnab collegium on the course of practical organization and introduction of this work.

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12322

### **Gosnab Deputy Chairman on Varied Restructuring Success**

18200253b Moscow

**MATERIALNO-TEKHNICHESKOYE**

**SNABZHENIYE** in Russian No 6, Jun 88 (signed to press 27 May 88) pp 6-12

[Article by B. Yakovlev, USSR Gosnab deputy chairman: "From Unprofitable—To Profitable" First paragraph is source supplied author biography]

[Text] BORIS MIKHAYLOVICH YAKOVLEV was born in 1929. He completed Leningrad Correspondence Industrial Institute. From 1949 through 1974 he worked at the Plant imeni A. A. Zhdanov, where he went from senior technician to enterprise director. In 1974 he was appointed chief of the UMTS [Material-Technical Supply Administration] for the Leningrad region of the USSR Gosnab [State Committee on Material-Technical Supply]. Since 1976 he has been USSR Gosnab deputy chairman. He has been awarded the Order of Lenin, the Order of the Labor Red Banner, and various medals. He is a laureate of the Lenin Prize.

The all-state system of material-technical supply is an integral component part of the country's national-economic mechanism. The effectiveness of the economy on the whole is largely determined by how well it functions. However, the reliability of operation of our sector depends primarily on the level of cost accounting relations between the manufacturing enterprises and the consumers, the transport and supply-marketing organizations.

In the past, when administrative-directive, and often bureaucratic, methods of management prevailed, as well as strict regimentation of the economic management activity through various resolutions, directives, instructions and numerous other normative acts which often were not coordinated or integrated with each other, the principles of organization of cost accounting relations bore a formal, purely symbolic character. It is specifically this fact which determined the insufficient effectiveness of supply, and as a result—the high level of debit liabilities,

the large number of subsidized and low profitability enterprises, and the low economic interest of the USSR Gosnab organs in developing progressive forms of supply and consumer services.

The situation was made worse by the fact that insufficient capital investments were allocated for the development of the sector.

The above-mentioned negative phenomena led to the situation where the existing system of material-technical supply no longer met the increased demands for development of the economy and came into contradiction with the tasks for increasing production effectiveness. Therefore, the 27th CPSU Congress pointed out the need for its serious improvement so that it would become a flexible economic mechanism which would help the national economy to operate in a rhythmic and stable manner.

In accordance with the Congress directives, the in July of 1987 CPSU Central Committee and USSR Council of Ministers adopted the resolution "On Restructuring Material-Technical Supply and the Activity of the USSR Gosnab Under New Conditions of Economic Management." This document calls for the implementation of a decisive transition from centralized funding of material resources and assignment of consumers to suppliers—to wholesale trade in means of production.

As we know, the territorial organs of the USSR Gosnab began the transition to wholesale trade last year. Its volume was insignificant, but the first experience already showed that this path was fraught with many difficulties. The new organizational form of supply as yet only liberates the enterprises from the cumbersome and labor consumptive work associated with the formulation of plans for material-technical supply of production and compilation of requisitions and computations of need, and it liberates the ministries—from establishing funds for each consumer. However, wholesale trade has still not become an economical, cost accounting form in its content. In order for it to be such, it is necessary to change the system of material-technical supply itself, along with industry, construction and transport, over to the new conditions of economic management.

In accordance with the resolution of the CPSU Central Committee and USSR Council of Ministers, such a transition is being implemented as of the second half of 1988. Associations and administrations, enterprises for the supply of products, main territorial administrations and gosnabs of union republics not having oblast division, as well as other supply-marketing organizations which are on an independent balance, are changing over to full cost accounting and self-financing.

The new economic management mechanism opens up broad possibilities for exhibiting initiative, socialist enterprise, and an active search for means and methods of increasing work effectiveness. Objectively, this is

defined by the fact that under the new conditions of economic management there is a significant reduction in the volumes of management activity, while the consumers are given extensive rights in establishing economic ties and selecting suppliers and methods of product delivery. Consequently, we must seek out such forms of relations between the territorial organs of our system and the manufacturers and consumers which would expand the participation of the supply-marketing organizations in the distribution of production and sale of products on a commercial basis. This is important, since from now on the productive and social development of our enterprises will wholly depend on the amount of earned funds.

In other words, all managers and every labor collective will have to pass a difficult test on knowing how to manage the economy zealously and how to achieve high end results with the least expenditures. The supply-marketing organizations which are currently operating at a loss must show particular concern for improving their financial position. The number of such unprofitable organizations in our system is around 6 percent of the total. Every year they show a loss of about 20 million rubles. Is it possible to avoid such great losses and to work profitably? Undoubtedly it is, if we bring into action the resources which up until now have remained unutilized.

First of all, the basis for the commercial activity of the territorial organs must be the comprehensive development of cost accounting relations with ministries and departments, industrial enterprises and associations. These relations must be based on the fulfillment of mutual responsibilities stemming from signed agreements. Under conditions of functioning of wholesale trade, the cost accounting activity of the union republic gossnabs and the main territorial administrations should be viewed from the standpoint of marketing as the economic basis for comprehensive management of production and sale of goods. This should be done on the basis of analysis and prediction of market business conditions, oriented toward the consideration of consumer demand and ability to pay.

Commercial activity based on the principles of marketing presupposes a search for new spheres of application of labor for the organs of material-technical supply. Already today some of them are supplying information services on a commercial basis to enterprises and organizations at their request. These services include data on the manufacture of traditional as well as new types of products, trends in the development of new technology, interchangeability of raw goods and materials, their shortages, information on the availability of surplus goods, etc.

The organization of wholesale trade fairs appears promising for a fuller accounting of supply and demand, as well as market conditions. These trade fairs can facilitate the development of services on placement of consumer orders, subcomplementation of products and subsorting

of small batches, and the search for manufacturers to satisfy urgent demands of enterprises for certain products. At the same time, there must be a significant change in the character and content of cost accounting relations of the territorial organs with suppliers and consumers. They should go from drawing up contracts for the supply of products to ratifying agreements on the organization of production and material-technical supply. We might add that it is necessary to provide not only for the conditions of delivery and the measures of material responsibility, but also for the conditions and times of placement of orders, financing production by direct orders, services of a commercial, informational and production character, types of prices and order of their application, transport and product delivery schedules, payment for shipping, etc., up to profit sharing and distribution of income.

A very important reserve for expanding the sphere of activity of our agencies and improving their financial position is the preparation of products for industrial consumption and the development of technical equipment rental. This does not represent anything new, since the territorial organs have long been providing such services to consumers. However, under conditions of wholesale trade they deserve very close attention and concern.

Experience shows that wherever the managers have learned to consider everything and to conduct matters in a business-like manner, production services and rentals have become widespread. The gossnabs of the Ukrainian and Azerbaijan SSR may serve as examples of this. Last year they increased the volume of preparations for industrial consumption of ferrous and nonferrous metals, cables and other products by 30-40 percent as compared with 1986.

Unfortunately, this is not the case in many other places. Many territorial organs for years do not assimilate their limits of capital investments for building shops and reconstructing industrial service sectors. In the Uzbek SSR Gossnab, where there are many enterprises and organizations operating at a loss, the achieved level, scope and rate of development of industrial services and rental of technical equipment, as well as their quality, remain low. Technological equipment does not operate at full capacity, and the capacities of the shops and sectors are employed unsatisfactorily. As a rule, only work which requires minimal labor consumption is performed.

Some managers justify their sluggishness in developing industrial services and rentals by the lack of demand for them. However, practical experience confirms that such references are inconsistent. Let us point out one example. When a technical equipment rental department was created within the Latvian SSR Gossnab, there were not many clients for it. One might say it dragged out a miserable existence. And then the young, energetic manager Viktor Vladimirovich Fikh came to head up the

small collective of the department's workers. He waged an active advertising campaign about the services being offered to consumers. He visited many enterprises throughout the republic and placed advertisements in the local newspapers, on radio and television. And what do you think? The consumers were found. And now the question is already being raised as to the department's need for additional radio measurement and optical instruments, computer technology and office facilities.

This example clearly demonstrates how initiative, proprietary skill and enterprise bring success. However, some of our managers are even today awaiting directives from above instead of skillfully analyzing the situation which has arisen and making confident decisions. Under conditions of cost accounting and self-financing there will be no directives. The labor collective is the total master of its enterprise or organization. Only it can get itself out of financial difficulties. The Law on the State Enterprise (Association) gives it extensive rights in this regard.

The continued development of middleman services provided to enterprises and associations for the sale of unused material goods and practical industrial by-products can increase the income of the supply-marketing organizations. Last year the territorial organs of the USSR Gosnab created 164 commission enterprises for rendering such services. They realized production in the sum of over 60 million rubles, or 2.5 times more than in 1986. Moreover, 173.2 million rubles worth of previously unmarketable goods were sold at the trade fairs which were held. This included 33.8 million rubles worth of goods from product delivery enterprises.

Nevertheless, individual main territorial administrations do not strongly engage in the development of middleman services. Thus, in Magadanglavsna, Omskglavsna, Kaliningradglavsna and other (main supply administrations) where there are considerable reserves of unused material resources, and work has not even begun on the creation of commission trade enterprises. The Moldavian SSR Gosnab is not fulfilling its task in full volume. The above-named territorial organs do not have a mastery of the full picture of the condition of reserves at enterprises and organizations within the rayons under their jurisdiction. Therefore, they are not expanding the network of commercial centers, commission stores, or ongoing trade fair-exhibits.

Here, undoubtedly, the absence of normative documents on improving cost accounting basics and economic methods of activity on the sale of unused materials, including questions of setting contract prices for the products to be sold, simplifying the order of their pricing, and advertising and informational provision to the consumers, is quite evident. We also need a standard technological scheme for a commercial trade center, as well as a supply table which defines the necessary complement of computer technology and other technical

means, the volume of production facilities, the general principles of organization of machine information exchange, and the formulation of a data bank with software provision.

The above-mentioned documents will be ratified in the near future. However, prudent managers are not waiting for them to appear. They are already now developing middleman services and other types of commercial activity, and thus earning money. For them the transition to cost accounting and self-financing will not bring any unpleasant consequences. The managers of supply-marketing organizations which are currently operating at a loss must take their example from these prudent managers.

Finally, we cannot forget that financial success of the territorial organs directly depends on the level of contract and plan discipline. We must strive to see that the accepted responsibilities are fulfilled within the established times, and that the raw goods and materials complementing the product are supplied to the consumers in the nomenclature specified in the contracts. A necessary level of product turnover stock must be created at every supply enterprise. This is particularly important under conditions of wholesale trade. Otherwise, it might happen that we would have nothing to sell.

The Belorussian SSR Gosnab is devoting much attention to the formulation of turnover stock. By 1 January of this year the sheet metal remnants stock there was within 99 percent of the standard, and the stock of other types of resources—100 percent. The replenishment of turnover stock is primarily achieved through involvement of the above-norm remnants of consumers. Unfortunately, this reserve is used in far from all the territorial organs. While the situation is favorable in the gosnabs of the Estonian and Georgian SSR, in the gosnabs of the Armenian, Moldavian and Turkmen SSR and in the Leningrad Main Territorial Administration they are making poor use of the capacities for replenishing stock from the above-norm remnants of the consumers.

I foresee the complaint: not everyone, you might say, operates under equal conditions. Some product supply enterprises have modern warehouse complexes with a high degree of mechanization and automation of production processes, while others are cramped into a small area, in unimproved buildings, where almost all the operations are performed by hand. Thus, a place cannot always be found not only for the reserve stock, but even for the materials which come in and must immediately be shipped out again.

It is difficult to argue with this. The command-administrative methods of economic management, as we have already noted, have placed their stamp on our sector. Warehouse management developed at an extremely non-uniform rate in different territorial organs. And today, along with those who have progressed, there are those who are literally backward in a technical respect. Well,



shall we now sit with our arms folded and lament the days gone by? Isn't it better to roll up our sleeves, get down to work, correct the errors which have been allowed, solve the presented tasks in a comprehensive manner, and bring the supply-marketing organizations which are planned to operate at a loss into the profits column? It is, after all, for the sake of this that perestroika is being implemented.

The transition to cost accounting and self-financing and the effective application of the Law on the State Enterprise must activate the life of the labor collectives. The new conditions require a radical change in the psychology of the supply workers. We must see that each one masters economic methods of management and frees himself from bureaucratism, social apathy and irresponsibility.

Of course, there are also obstructions from the past on the path which the all-state system of material-technical supply is today pursuing. In order to clear them away we need not only a certain amount of time and the efforts of the USSR Gosplan, but also the USSR Goskomsen [State Committee on Prices], USSR Minfin, USSR Gosbank [State Bank], and other departments. We are referring here to the ordering of prices, mark-ups and discounts on work performed by the supply-marketing organizations, as well as the restructuring of the credit-finance system.

In the sphere of price formation under conditions of development of wholesale trade, the primary direction is to expand the sphere of application of the contractual, commercial, commission, and other types of prices and to give the enterprises and organizations within our system broad independence in setting price levels for products of industrial-technical description. The USSR Goskomsen must perform control and methodological functions. Specifically, it must determine the order of price setting and application (upon agreement with the USSR Gosplan), control proper price application, and place cost accounting responsibility on the enterprises and organizations for violating the rules of price formation.

As for the mark-ups and discounts for work and services supplied by our organs to producers and consumers, the currently existing system does not stimulate the supply-marketing organizations to achieve high end results. The low level of mark-ups has an especially detrimental effect on the activity of supply enterprises operating at a loss. Receiving meager income, they cannot cover the expenses which they generate. All their development is realized merely through the capital investments of the USSR Gosplan and its territorial organs. Therefore, it is necessary to improve the system of mark-ups and discounts so that the material-technical supply enterprises and organizations would have an economic interest, let us say, in supplying products in small shipments, and in offering consumers various types of services. At first the

[supply enterprises] operating at a loss or with low profitability would receive subsidies from the central reserve, but ultimately they would have to change over to total self-financing.

The restructuring of the credit-finance system consists of formulating the normative-finance mechanism, reducing the redistribution processes, enhancing the role of credit, increasing the balance of natural-physical and cost ratios of the plan, reducing surplus financial resources, and accumulating temporarily free capital from enterprises and organizations on a contractual basis. At the same time, the principles of cost accounting must not be violated. We should also increase the economic role of credit in reducing the reserves of commodity-material goods, in forming a rational structure and concentration [of these goods] within the supply system, in accelerating the turnover rate of working capital, and in increasing production effectiveness.

I must say that there are still many unsolved problems remaining in the sphere of credit-finance relations. For example, we cannot understand why the organs of material-technical supply pay increased interest for above-plan reserves of resources, when the very concept of such reserves evokes considerable doubt. The established order of crediting certainly does not facilitate the formation of a rational structure of materials to be stocked at the warehouses of supply-marketing organizations. It also hinders the development of wholesale trade and weakens the cost accounting principles of economic management activity. On the other hand, the new conditions of management have a weak economic effect on the enterprises which allow accumulation of commodity-material goods in excess of production needs, since the payment of interest for credit is made not from the residual income (profit), but from the gross income, which reduces the effectiveness of the cost-accounting relations.

A major shortcoming which negatively affects the financial position of the territorial organs within our system is the overdue indebtedness to the USSR Gosbank on the loans and accounts of suppliers for the products obtained from them. The sum of such indebtedness by 1 January 1988 comprised around 330 million rubles. The enterprises and organizations of numerous ministries and departments do not settle their accounts satisfactorily with the supply-marketing organizations for the supply of raw goods and materials. Under conditions of cost accounting and self-financing, each partner is obligated to adhere to the accepted responsibilities.

The spread of new methods of management to most of the spheres of the economy evokes the need for establishing cost accounting relations between the territorial supply organs and the sectorial banks, as well as the organizations having credit funds at their disposal. This presupposes charges for services and for bank operations, as well as the presence of contractual relations of the parties on forming and crediting reserves of material

resources, increasing payment discipline, and accelerating the turnover rate of accounting documents en route. The economic basis of such cost accounting relations must be the principles of functioning of the territorial supply organs and banks on the basis of full cost accounting and self-financing.

The commercial cost accounting of the main territorial administrations and union republic gossnabs must function, develop, and be based on a foundation of strong cost accounting ties. Therefore, it is necessary to introduce charges for all types of work and services provided by the supply-marketing organizations to suppliers and consumers, and the evaluation of the work of our organs according to its end results—the fulfillment of contractual responsibilities for the delivery of products. Income must be the most important indicator of their work, and payment of wages and provision of production and social development must be realized at the expense of funds from the cost accounting income of the labor collectives.

We must pay particular attention to planning. In this regard, there is currently a sequential transition to the compilation of material balances and distribution plans within the USSR Gosplan, the USSR Gossnab, and the ministries and departments according to consolidated nomenclature. These balances and plans must serve as the basis for determining the basic general economic, intersectoral and inter-regional proportions of social production, for ensuring an overall balance between the demands of the national economy and its major complexes and sectors and the available resources, and for formulating economic conditions which will motivate the cost accounting units to act in the interests of society. The assignments on products accepted for centralized distribution are placed in the form of state orders whose fulfillment is mandatory, along with the formulation of contract relations which provide for the mutual material responsibility of the parties.

The structure of the state order is largely determined by the level of balance between the plans for production and material-technical supply. Therefore, although the role of our organs in formulating the state order has not been clearly defined, nevertheless a knowledge of the market demands and the performance of marketing research on orders of the ministries and departments based on cost accounting principles presents a promising line of endeavor.

Full cost accounting and self-financing and the transition to wholesale trade in means of production enrich supply-marketing work with a qualitatively new content and create conditions for the continued transition to the basic principles of commerce. To master them, to constantly seek out means of increasing income and profits, and to be concerned about expanding the sphere of application of our system's capacities—this is the foremost duty of the managers, specialists, and workers. Each one is called upon to make his contribution to the

common cause—to bring enterprises and organizations operating at a planned loss into the profits column, and to turn material-technical supply on the whole into a highly profitable sector of the national economy.

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12322

### Wholesale Trade Obstacles, Needed Supply Changes Outlined

18200253c Moscow

MATERIALNO-TEKHNICHESKOYE

SNABZHENIYE in Russian No 6, Jun 88 pp 17-22

[Article by A. Yemelyanov, USSR Gossnab collegium member, NIIMS [Scientific-Research Institute of Economics and Organization of Material-Technical Supply] director: "The Pivotal Point of Perestroyka is Economic Management." First paragraph is source supplied introduction

[Text] ALEKSANDR SERGEYEVICH YEMEL'YANOV is a doctor of economic sciences and corresponding member of the UkSSR Academy of Sciences. He is a well-known economic scientist in the field of prediction and national economic planning. He is the author of over 180 scientific works, including around 20 monographs. He is also a member of this journal's editorial staff.

Today we unanimously relate the transition to wholesale trade in products of industrial-technical description and the corresponding creation of economic and organizational conditions for its effective functioning to the key moments in the current stage of economic restructuring. However, in defining so unconditionally the role and place of wholesale trade in the restructuring of the economic management mechanism, it seems nevertheless that many specialists understand the very essence of this process in a rather simplified manner. A serious mistake which has been perpetuated by many theoretical positions and various documents and instructions is associated with defining wholesale trade as a purely distributive category—"supply without funds or limits."

Such a theoretical-methodological approach predetermines the essence of practical work on the development of wholesale trade as a form of realization of previously created material resources. In reality, however, wholesale trade is not a form of realization of resources, but rather a principally new approach to the cycle of "production—distribution" as to an integral whole based on public demand formulated through market relations.

Wholesale trade, as it is represented in the future and as we try to build it in the present, is the buying and selling on the socialist market of means of production for that which is manufactured by enterprises in a timely manner

and on market-order principles. These enterprises operate on the principles of full cost accounting and self-financing, i.e., the principles of profitability. This is what predetermines the need, on one hand, for a cardinal change in the supply mechanism itself, its reorientation toward economic methods, and on the other—for no less significant changes in the practice of planning and organization of production, and primarily for that portion of products of industrial-technical description which must be sold through these channels.

Obviously, no appeals for the changeover of enterprises to supply through wholesale trade, and not even any directive instructions, can solve the presented problem if we do not at the same time ensure certain principle conditions. Among these, an absolutely necessary condition must be the market availability of goods in the necessary quantity, quality and assortment, as well as the presence of competing commodity holders and buyers with financial resources, rights and responsibilities. Today such conditions have not yet been created.

As yet we may speak seriously only of a large number of "wealthy" buyers. Naturally, a market where the demands and capacities of the buyers significantly exceed the availability of goods held by the sellers will inevitably be distorted in favor of the seller (supplier). This is what we experience every day in the course of the cooperative ties which are being established.

We cannot forget that the present-day biography of wholesale trade as an instrument of the economic management mechanism must be written not from a blank sheet of paper. Over a certain period of time, at least until the end of the five-year plan, the old and new principles of economic management will exist in parallel, and we cannot call such co-existence peaceful. Therefore, in introducing market relations and wholesale trade, we must clearly understand that aside from a certain subjective opposition by individual officials, there are also serious objective factors of a negative character which we cannot overlook. We must apply all efforts toward overcoming them. Here all means are good: not only of an economic, but also of an administrative-plan character (formulation of reserve capacities through state orders, planned regulation of the processes of production monopoly, state regulation of price formation on monopolistic products or those in short supply, etc.). What, then, is the objective picture of the situation in development of wholesale trade, and what are its real prospects if we approach our evaluations and conclusions with a sense of moderate optimism?

At the present time, despite the extensive work of the USSR Gosnab apparatus and the entire all-state supply system, we must conclude that as yet no serious results on significant change in the state of material-technical provision of the national economy have been achieved.

However, we must say directly that it is still too early to expect such results, since the current stage is merely the initial one in the practical introduction of wholesale trade.

The main result of the past (rather short) period in reorganization of material-technical supply is the creation (actually—creation!) of entirely new theoretical basics and directions for the development of multi-channel wholesale trade as a specific form of market relations under conditions of socialism. The guarantee of these relations is the Law on the State Enterprise, the all-encompassing penetration of principles of full cost accounting, self-financing and democratization in the entire sphere of production, economic management, and administrative activity.

In the recent period, 10,000 scientific-research and planning-design organizations, institutions and enterprises in the non-productive sphere have been changed over to provision through wholesale trade, as have been a number of formations of the agro-industrial complexes and the construction organizations of the Armenian SSR and Estonian SSR. A large-scale experiment was conducted on the entire sector of construction and road machine building. And, although a series of errors and shortcomings became apparent in the course of this experiment, it did allow us to significantly correct our methodological and organizational principles. A plan of measures has been developed for the step-by-step transition of industrial production to wholesale trade within the period to 1991. At that time, up to 80 percent of the products will be supplied to consumers by order, and naturally without funds or limits. At the same time, our evaluation of the situation would be incomplete if it stemmed merely from the generalization of the actual state of affairs at the given moment.

An important condition in the transition to wholesale trade is the radical organizational restructuring of the entire system of supply and the abolition of institutions which for decades "funded" everything—deficits as well as non-deficits.

The USSR Gosnab has opted for such a radical organizational restructuring which not only encompasses the central apparatus and the entire system of supply in the country, but also radically changes its functions. The institution of the *soyuzglavnabshyt* [USSR Gosnab Main Administration on Material-Technical Supply and Sale], which had existed "forever", is being totally abolished. The systems of management in the country changed, and just as they "funded" in the past, so they continued to "fund" under the new conditions.

The complete one-time, and not step-by-step, elimination of these organizations served as a decisive step in creating conditions for the forced transition to wholesale



trade, since the very existence of such distribution centers by types of products, their huge capacities and effect on the consumers as well as on the producers, threatened the changeover of certain products to wholesale trade.

At the same time, the abolition of an administrative-distributive apparatus which took many decades to put in order may at the initial stage lead (and we will not build any illusions, evidently it will lead) to a number of negative occurrences. This will be especially true while the mechanism of cost accounting and self-financing which has come to replace the administrative-distributive system is not yet fully operational.

The pivotal point of restructuring the all-state supply system has become the transformation of its regional organs—turning the main territorial administration into the primary cost accounting unit which has full independence and is aimed at a close and responsible interaction with the consumers in every kray, oblast, and autonomous republic. Another important fact is that the main territorial administrations will work in direct contact with the resource-saving complexes of the USSR Gosnab, i.e., according to a two-unit, rather flexible and efficient system.

One of the most acute questions of radical economic reform is the interaction of plan principles with the market mechanism of wholesale trade, the creation of a methodology for planned formulation of resources for wholesale trade, the deep scientific substantiation of the essence, nomenclature, volumes and principles of formulating state orders, etc.

Undoubtedly, a definite step in this matter will be a well thought-out but strict and uncompromising approach to the formulation of the state order, which will clearly and unambiguously predetermine the circle and volume of centrally distributed products—only those which are produced by state order. All the rest is wholesale trade. It is a matter of either-or. Either plan, or market.

However, even such a radical approach must be viewed merely as a condition for the development of wholesale trade. Here we must not forget that as long as the producers (suppliers) do not have full confidence in the reality of solution of their supply-marketing problems through market relations (wholesale trade), they will strive to function within the framework of the state order. If we consider the fact that the consumers, as well as the supply-marketing organizations, also often have this same desire, then we can understand why the relative share of state orders (and consequently centralized distribution) is so high in the overall volume of manufactured products.

Undoubtedly, when cost accounting relations and profitability become the cornerstones, the picture will change sharply. But for the time being, the relation between the state order, the volume and nomenclature of centrally distributed production and that portion of it which is

produced and sold according to consumer orders by means of wholesale trade—must be managed. This function, like many others in the sphere of development of wholesale trade, is today performed primarily by the USSR Gosnab without active interested participation of the ministries, departments, or even the USSR Gosplan.

Without their sharp turn toward this most important aspect of radical economic reform, the entire cause of perestroika is dealt irreparable harm.

We are speaking primarily about the planned creation of additional capacities for the production of goods which are in short supply, planned measures for rewarding the competition of suppliers, an in-depth study of the market conditions and demand, and effectively balanced development, when the balance is achieved not only by means of (as a rule, unrealistically) increasing the left (resources) column of the balances, but also by reducing the right (demand) column to real capacities. Finally, we are also speaking of each ministry, department, and association working in an in-depth and objective manner on formulating a socialist market for means of production, changing over to wholesale trade, and substantiating specific preliminary measures. Can it be allowed that out of many hundreds of sectorial and departmental NII [scientific-research institutes], practically no one is engaged in, and does not even plan to engage in, developing the transition to the new economic mechanism of wholesale trade (and not to supply!)? Moreover, not one ministry is planning the development of research in this sphere or the involvement of its NII in practical aid. Of the many thousands of ordered jobs totalling millions of rubles, not one of these customers has allocated a single ruble for the scientific provision of wholesale trade. This is an alarming fact. We may assume that as yet not all the leading managers in the ministries understand that the transition to wholesale trade is the pivotal point in the restructuring of economic management.

We can hardly consider the illusions of certain managers and economic scientists to be justified. They maintain that all the problems will solve themselves, and that we have only to adjust the mechanism of price formation. Immediately the market will be filled with commodity resources and problems of shortages, quality, assortment, etc. will disappear.

We must realize that when we speak of improving price formation, contract and commercial prices, we are in essence speaking of raising these prices on products of industrial-technical application. This is far from an ideal solution. It is often assumed that such a step would keep consumers from acquiring excessive appetites, thereby solving all the problems at once, including the automatic extortion of funds accumulated by the enterprises. But is this really so? An inflated contract price will not stop the consumer. He will simply figure the higher price of the resources into the production cost of his product, with all

the consequences stemming from this, with which we are already familiar. The instrument of price formation must be used quite carefully, always in conjunction with a system of limitations, sanctions and other methods of economic management and influence. This is of principle importance under conditions of a high level of production monopoly.

Balance, as the decisive condition in shifting the economic mechanism to cost accounting principles and to wholesale trade by means of production, takes on particular significance here.

Many of the reasons for imbalance are found in the order and methods which have become established in the work itself. The preparation of product material balances is disbursed among various planning organs (USSR Gosplan, USSR Gossnab, ministries and departments). As a rule, this is done without consideration for their close interconnection in the output of the finished product, which from the standpoint of production bears a multi-product character. Such practice often leads to the formation of a deficit. We need a significant restructuring of the system of interrelations of various departments in developing balances of finished products, with consideration for meeting their production demands.

We must ensure true balance of production and consumption in the cross-section of the most important groups of products, i.e., we must supply the market with commodity resources. We need to have planned provision of production capacities to meet the real demands of the national economy. Here, balance must be a function not only of increasing production capacities (this will require great expenditures of time), but also reducing planned (predicted) demands for resources due to their tie-in with volumes of production and involvement of the corresponding reduced (but real!) amount of material resources. Plans for production and capital construction should not be oriented toward a greater volume of resources than that which the national economy can actually provide with consideration for their economy. Today this is the decisive condition in changing over the economic mechanism to socialist market principles and to wholesale trade in means of production.

The level and rational structure of material reserves occupies a central place in ensuring the current assortment balance and the normal functioning of wholesale trade.

As a result of the measures taken by the USSR Gossnab in conjunction with other central economic departments and sectorial ministries, in the last 2 years we have been able to break the former persistent tendency of the increase in reserves outstripping the growth in production. The introduction of new standards and economic sanctions for the disruption of these tendencies made it possible for the first time in many years to achieve an absolute reduction of reserves in the country.

However, the structure and distribution [of these reserves] in the national economy do not correspond to current economic conditions, and this is one of the main factors inhibiting the continued acceleration of their turnover and the development of wholesale trade.

During the 10th and 11th Five-Year Plans, the reserves in the national economy were formulated primarily due to the growth in their least mobile part—production reserves held by consumers and unfinished production. At the same time, the level of stockpiling of finished products by the manufacturers, and particularly commodity reserves within the system of supply and marketing, was clearly inadequate and had a tendency to decline. With such proportions, it is impossible to provide a sufficient and stable assortment of products for wholesale trade and to fill orders of consumers for the warehouse form of delivery within a short time.

Computations show that in order to accelerate the turnover rate of material resources, the portion of reserves held in the sector must be increased by 1.8-2 times. The portion held by manufacturers must be increased by 1.5 times, while the reserves held by consumers must be reduced to a minimum. This requires a restructuring of the credit-finance mechanism in the sphere of production as well as in the sphere of consumption. We must increase the portion of working capital held by supply-marketing organizations and introduce a benefit percentage for credit for accumulation of commodity reserves. On a contractual basis, we must move part of the back-up reserves of consumers to USSR Gossnab supply enterprises. Then a larger number of consumers could be supplied by a smaller amount of resources.

The situation with creation of a rational structure of total reserves by individual types of material resources of USSR Gosplan, ministry and department nomenclature is most complex. Thus, according to the computations of NIIMS, the demand for turnover reserves of ferrous metal rolled stock comprises 3,300,000 tons. The USSR Gosplan has approved 2,500,000. The actual level at the beginning of 1988 reached only 2,179,000 tons, or 66 percent of the computed figure. With such reserves, we cannot even speak of full satisfaction of demand according to assortment, volume and delivery times in accordance with contracts and orders.

The shortage in itself makes it impossible to expand wholesale trade. The situation is worsened by the practice of every year dipping in to those reserves stored at supply agency warehouses to cover the current demand.

A significant means for supporting the necessary level of reserves and creating back-up reserves for products sold through wholesale trade would be the inclusion of the appropriate volumes and assortments in the state order. In this case, the cost accounting organs of material-technical supply could be the customers in the name of

the state. This would make it possible to achieve a certain softening of the influence of the monopolistic character of production for various types of products.

At the present time, over 1,100 enterprises are the sole producers of their product in the country (this is around 1,800 types of goods with an overall cost of 11 billion rubles). A broad circle of product assortments is produced by 2-3 manufacturers. One of the means of overcoming the monopolistic position of the supplier may be to expand the possibility of the enterprises to enter the international market, and primarily [to encourage trade] with the CEMA member states. Definite work is already being performed in this direction. Specifically, the decision has been made to introduce wholesale trade for transfer rubles. In our opinion, as the next step it would be expedient to provide for the possibility of enterprises' obtaining transfer rubles according to the established state course. Such a course may be differentiated for different consumers. For example, the greatest privileges should be given to enterprises consuming the products of monopolistic manufacturers.

Eliminating the monopolistic position of the producer and introducing the practice of enterprise competition management would at the same time create conditions for reducing the material consumption of production and for the economical utilization of material resources.

With the expansion of turnover of products sold through wholesale trade, there is an increased need for a middleman. The organizers of this process on a state-wide scale must be the resource-conserving complexes of the USSR Gosnab. It would be economically expedient for the territorial supply organs to act as ordering customer and buyer of a significant portion of the products, at the request of the suppliers and consumers. These supply organs must define the need for resources and maneuver them within their region and beyond its boundaries on the basis of cooperation and with consideration for stockpiles and reserves.

The break-up of territorial organs which is taking place at the present time on one hand brings them closer to the consumers. On the other, it makes it more difficult to maneuver resources and to bring products to warehouses in volumes of less than the shipping norm. This may be compensated by creating within the USSR Gosnab system a network of cost accounting trade centers with inter-regional sub-sorting bases and reserves of products which are not in mass demand, or inter-sectorial wholesale firms based on share ownership. An important reserve in increasing the effectiveness of turnover of means of production is the rational combination of the all-state system of material-technical supply with the sectorial supply organs. This combination must be based on the development of cooperative ties, with broad application of contractual forms of management.

The forms of cooperation will make it possible to integrate the work of the supply organizations of the USSR Gosnab, USSR Gosagroprom and the sectorial supply systems on the principles of voluntary participation and mutually beneficial partnership in an organization of warehouse supply to consumers based on joint utilization of the appropriate capacities, and mutual provision of services and transport.

The development of wholesale trade leads to the democratization of the relations of the partners and activation of the forms and methods of buying and selling. This includes: timely ordering of products for which the demand is known ahead of time; ordering in the course of the economic year as the need arises and in one-time order; orders taken during personal visits, by mail, telephone, teletype, or telegraph; purchase of small batches of products in wholesale stores, including self-service stores and out-of-town trade; organization of wholesale trade-industrial fairs, in which the territorial organs are systematically gaining experience.

In the organization of means of production at the territorial level, an increasing role is played by the interaction of local Soviets of People's Deputies and specially created ispolkorm main production-economic administrations with the new territorial organs of the USSR Gosnab, which are constructed primarily according to the administrative-territorial principle.

With such interaction, conditions are created for the rational application of production capacities of enterprises regardless of their departmental affiliation, especially unused capacities; for the development of intra-oblast cooperative deliveries, and for the creation of cooperatives for processing secondary resources at the main territorial material-technical supply administrations.

However, a rather significant nuance arises here. In order to implement what has been planned, it is necessary to overcome the backwardness in the material-technical and social base of the supply sector itself. Computations show that in the 13th Five-Year Plan the warehouse deliveries through the territorial organs of the USSR Gosnab will increase by 1.5 times as compared with the current five-year plan. The demand for rental of technical equipment will increase by 3-4 times, while the demand for industrial services will increase by 10-12 times. Yet the sector's current production-economic and social potential today does not even meet the minimally required level. Thus, by the beginning of 1987 the fixed capital of the USSR Gosnab organs was less than half of the standard level. Inadequate provision with means of transport hinders the development of centralized delivery. The shortage of qualified personnel is acutely felt. The average monthly labor wage in 1986 was 16.8 points lower than in industry, and this gap is continually widening. This leads to a high level of labor turnover, which is 7.5 points higher than in industry.



Another alarming fact is that the gap in social potential between the all-state system of material-technical supply and the sectors of the national economy is not narrowing, but widening. Already today, and especially in the future, we will have to solve problems of the highest economic complexity. To do this we need the appropriate specialists. However, with the existing situation we not only cannot expect an influx of the necessary qualified personnel into the sector, but it is becoming difficult even to attain a lower goal—to retain the present labor resources.

Analysis shows that in all the industrially developed countries the relative share of the sector providing material-technical supply (trade in goods of industrial description) occupies a more significant place in the sectorial structure than it does in our country. Thus, in the USA as compared with the USSR it is 5 times greater in terms of the overall number of persons employed, and 2 times greater in overall reserves. The warehouse areas in the USA are 2 times greater than in the USSR. The relative share of active fixed capital is over 2 times greater. At the same time, the level of labor wages for workers in this sector in the USSR is lower than the average for the national economy, while in the USA it is significantly higher.

By ourselves, we will not be able to ensure sufficient development of our own material base, even if we sharply increase the prices on our services. Alas, we have lagged behind and overlooked the sector's needs for too long. We need centralized investments in order to achieve the level of development of the base sectors and to continue to develop from our own income. However, for this we do not need to seek out any additional funds over and above those which are today expended for material supply in the national economy. It is enough merely to shift them over to the supply sector, and on this basis to ensure a reduction in the overall level of production outlays and turnover in the national economy. The changeover to warehouse supply of irrational transit deliveries to consumers computed per million rubles of production (obtained from the warehouses of

our sector) will liberate (computed per year) production reserves in the sum of 0.4 million rubles, capital investments in one's own warehouse management—in the sum of 0.19 million rubles, current expenditures for maintaining reserves—in the sum of 0.1 million rubles. On the whole, it will yield an economic effect of 0.69 million rubles. According to the available data, through this means alone it will be possible to direct up to 5 billion rubles annually toward the development of the production-economic and social potential of the supply sector.

In order to improve the sector's material base, it is necessary to expand the production of progressive types of packaging, ready-made elements of warehouse structures, and modern cargo-handling, guidance, control-measurement and other equipment. This work is already being performed at the machine building production plants which are being developed within the USSR Gosnab system. However, the primary role must belong to specialized machine building enterprises.

Computations show that in the future the sector must be oriented on the automation of 120,000-150,000 jobs, ranging from warehouse operators to management apparatus workers. We must create a modern information base for managing the effective turnover of means of production.

The presented list of problems in development of wholesale trade and the material-technical supply sector, which is far from complete, testifies to the fact that they must be viewed as a single complex, as a single national-economic problem. Everyone must participate in its solution: the central economic departments, the ministries and their enterprises, and the regional administrative organs. The reality of prospects for transition to the new economic mechanism of resource provision and the effectiveness, we repeat, of the entire radical economic reform depends on this.

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## AGRO-ECONOMICS, POLICY, ORGANIZATION

### VASKhNIL's Tikhonov on Land Use, Ownership System, Implications for Production

18240114a Moscow LITERATURNAYA GAZETA in  
Russian 3 Aug 88 p 10

[Article by V. Tikhonov, VASKhNIL Academician: "So  
the People May Feed Themselves..."]

[Text] *One of the central issues discussed at the recent plenum of the CPSU Central Committee was that of food. And this is understandable. The party and all the people are concerned about matters in agriculture. There are not enough meat, fruits or vegetables on the shelves of the stores in many cities.*

*"Of course each region and even each farm has its own concrete problems and their concrete causes," said M. S. Gorbachev in his report at the Plenum of the CPSU Central Committee. "But there is one common, I would say major reason why capital investments in agriculture and in the agrarian sector are not producing the proper return, why they are being used ineffectively, and why in many cases they are simply frozen. It consists in that practical measures for strengthening the material base in rural areas have not been simultaneously reinforced by the corresponding work for changing economic relations in rural areas."*

*On our page today the well-known agrarian economist, VASKhNIL Academician V. Tikhonov, reflects on how it will be possible to improve things in our agriculture.*

### What Kind of Agrarian System Have We Created?

When creating agrarian economic theory Marx was oriented toward the legally free peasant who, pursuing his own individual economic goals and realizing his own personal interests, raises products so that it will be advantageous to sell them. Thus without burdening himself with words of concern for the people, he feeds the people. And the wealth of any society has always appeared as a result of the wealth of the people, above all the peasant, and not vice versa.

We entered the revolution with naively utopian ideas about socialism as a society of universal and equalizing distribution in the system of "production-consumer communes." But since the peasant never did recognize this kind of distribution, it was restricted by food requisitioning and suppressed by laws against speculation, that is, free trade in general and particularly in grain. As we know, this is how we arrived at the first large-scale all-Russian famine.

Lenin was the first of the bolsheviks to reject the fatal policy of requisitioning and equalizing. After the Kronstadt uprising in 1921 he announced that the slogan of free trade was the main demand of the peasant. And

since "for many long years we will have to be dealing with this small producer as such, the slogan of free trade will be inevitable," said Lenin.

The new economic policy gave the peasant a 7-year respite. In 1921 the country suffered fatally from famine. But already in 1923 the Russian steppe wheat again appeared on the foreign market and it was purchased from the peasant without threat, without rifles, and without the iron boot of the "food requisitioner."

In 1927 the city dweller required from 67 kg to 73 kg of meat and meat products per capita annually. And this did not include fat and certainly not byproducts. The per capita consumption of meat in rural areas that year amounted to from 48 to 56 kg.

But this was a unique period. Never before and never since, even in the years when explanations rolled out like peals of thunder about the "flourishing" of the kolkhoz structure half the country's residents experienced this kind of supply.

What was the reason for this? There was only one: the peasant was given land not for "use" but for complete ownership. And there was not a single soul who had the possibility of invading his farm. A full-fledged owner of the land had the right to dispose of the products raised on it as well. Naturally, he sold these products. To whom? To anyone who wanted to buy them at the prices established by the peasant. By exacting a severe tax which struck the peasant precisely because of its severity, the state gradually replaced physical goods with money. With the money from taxes the state freely purchased from the peasants the wheat which it had previously taken away at the point of a gun. This continued until 1928.

Suddenly, quite unexpectedly difficulties arose with grain procurements, and immediately the "grain front" was formed. There you have it! There was no war, but a front appeared. But why were there difficulties with grain procurements? After all, the harvest was the usual, the average. The peasant grain bins were not empty. The real reason was concealed first by politicians and in subsequent years by historians. Trying to force a growth of accumulations for industrialization, Stalin (personally!) with his closest advisers achieved a reduction of procurement prices for grain and simultaneously considerably increased the prices for industrial goods that were delivered to rural areas.

There was a sharp increase in taxes on individual industrial workers, craftsmen, merchants and, naturally, also the peasants. The mass of industrial goods decreased, prices increased, and they continued to spiral upward. What was left for the peasant living only on income from his farm to do? Rebellions, naturally, were suppressed, but this Draconian measure did not suppress the kulaks, but the workers who in difficult times were still feeding the Russian people.

The resistance of the peasants was broken by old, tested methods—confiscation of the grain, including with military force; the application of the criminal code against those who tried to avoid the requisitions; the introduction of the strictest taxes and the so-called "self-taxation," which was entrusted to various spongers who were former Soviet noncommissioned officers like the Mozhayev Vozvyshayev and Semechka.

This campaign also made it possible to prepare a "theoretical substantiation." At that time it was created not by scientists but by politicians in charge of the campaign against the peasantry. The essence of the "theory" was that the country needed grain. It turned out to be too much trouble to buy it up from individual farms at ridiculously low prices. This means that it was necessary to bind the peasants to the kolkhozes and pour the grain into the common bins. That way it was easier to take it.

With this "theory" it was not difficult to draw up a scheme for collectivization on the "basis of eliminating the kulaks as a class."

Thus the country entered the "year of the great change." Not only were the kulaks destroyed, but also the peasantry sustained immense losses as a social group, as a class that is distinguished by a special place in public production, a special method of obtaining the necessary product, a special contribution to social life, customs, tradition, and daily life and, finally, special norms of social psychology. About 3 million peasant farms were liquidated during the course of collectivization from 1929 through 1933 inclusively. This means that no less than 15 million people were left without a roof over their heads. About 2 million were "placed" at industrial construction projects. The rest were, at best, resettled in the Siberian forests and about a million able-bodied adults were sent to build the road to the camps. Nor can one forget about the millions who did not resist collectivization and quietly died of hunger in the Ukrainian villages, the settlements along the Don, and the towns of other areas.

What and whom did the peasant become after this bloody lesson? Alienated from his land, from the distribution of what he had produced, he was transformed from a master into someone who works and follows orders.

The kolkhoz never did fully achieve the status of a cooperative. But during the course of its consolidation, "sovkhozization," and interfarm "cooperation and agroindustrial integration" it forfeited those minimal cooperative features which it had retained in the form of the workday and other analogous forms of distribution of products.

Up to this day the kolkhoz has had its hands and legs tied by assignments "for release" (!) of products, it has been oppressed by prices established somewhere above, and it has been enslaved by the constantly growing prices for

technical equipment, fertilizers, feeds (!), construction materials and fuel. The prices of agricultural products increase from year to year. A kilogram of meat purchased from the kolkhoz is approaching 6 rubles and still half of the farms are not very profitable and cannot conduct business with this money. There are 3,500 farms that are chronically operating at a loss. The debts of agricultural products to the bank have already exceeded 144 billion. And yet the state annually gives nonreimbursible money in an amount of no less than 23-25 billion rubles to the kolkhozes and about 50 billion to the sovkhozes.

So judge for yourself, reader, does this agrarian structure which we have created correspond to the theoretical models of Marx and Lenin?

Marx and Lenin were oriented toward the creation of conditions whereby the peasant, owning the land as an object of management, plans his production independently, distributes what he has produced and sells it freely without outside intervention, and obtains income depending on his results.

But we have created a system whereby the peasant is deprived of ownership of the land and can only use it to the extent that its owner, that is, the state, allows. Therefore it is precisely the state, through its apparatus, that has retained the right to dispose of this land and dictates to the peasant what and where to plant, when to mow, where to ship, to whom to give the products, and how much money to obtain for what has been given.

And the state apparatus dictates to the peasant how much he can receive in exchange for his labor.

Marx and Lenin suggested: the standard of living and the income of the peasant are determined completely by the results of the production and sale of products that are created and by the level of outlays for farming. If you have raised a good crop, preserved it all and sold it successfully—live and be happy. If you have not received a good harvest, if you have wasted it out of negligence, or you have not been able to find a buyer—do not complain, go and find a haven that is more suitable to your nature. The society can help by way of social compensation in the event of an unforeseen natural disaster, but do not think about complaining every year about "extremely unfavorable weather conditions."

But what have we done? If a kolkhoz has "retired" because of the mismanagement and drunkenness of the chairman we wake it up with all the strength of state power, we tie it up with ropes like a cow that was starving during the 1950's, to the state financial bank, with nonreimbursible credit and increments to prices, guaranteed payment for we know not what, again through nonreimbursible credit. We give it tractors, combines, and fertilizers—and it is all in vain. If only one could get a bit of grain or a shred of wool from it.



Marx and Lenin assumed that if the society could not be fed from the land that was the best and average in terms of fertility and location it was necessary to encourage farming on the worst lands as well. But encouraging farming did not mean encouraging the society's dependency. Through the market the society establishes prices so that they cover the expenses of farming on the worst land and give the peasant a certain amount of net income which he can use to increase the fertility of the soil. These are the prices that become the common ones, which are the same for all commodity output.

But what about those who work on the worst land? The wisdom historically accumulated by the people is that people have created the practice of economic regulation of production and equalization of conditions for management with various objective bioclimatic situations. The farmer who is working in the best situation pays rent for the land. The amount of this rent is drawn directly to the amount by which the price of the product exceeds the peasant's outlays and the average profit he needs which he receives when the price is set for the worst conditions. As we can see, rental payment reflects both the quality of the land and the economic mechanism for equalizing the incomes of farmers who have various kinds of land. And there is no independence. If you want to increase your income with a given rental payment then improve the quality of the land and its cultivation. But if the farmer owns the land himself, his income is partially regulated by the income tax.

But what are we doing? The prices are established centrally and also arbitrarily. But the economy is not a bookkeeping account and it is not an arithmetic tight-rope. There are people operating in it and people have a certain moral foundation. Constant subsidies, when they become the custom inevitably cause man to adapt, as if to receive more of them.

Then our "theoreticians" have gone further. They have decided to introduce a system of differentiated prices. And now the Tomsk Kolkhoz where wheat has practically never ripened receives along with all other increments 160-170 rubles for each ton of it. And the Stavropol grain fields receive 100-107 rubles for their excellent wheat. The situation is becoming absurd. In Norilsk they have learned to raise hothouse grapes. Can you imagine what kind of "planned" price they have? At the same time in Uzbekistan, Turkmenia and Tajikistan instead of producing more grapes and other fruits they raise the eternally difficult potatoes which spoil rapidly with a yield of no more than 100 quintals per hectare and they sell them to the state at the "planned" price of up to 43 kopecks per kg. Ignorance of theory and hence helplessness in economic policy—this, in my opinion, is the most harmful vice, from which the country cannot seem to be delivered.

#### Dependency at the Level of State Policy

Imagine a meat combine. An average, typical one. Its state plan determines for it who, how much and when to deliver the steers, how they are to be evaluated, and how

much money is to be paid for each kilogram of live weight. And in parallel the kolkhoz-sovkhoz is given a strict plan: to release to the enterprise so much meat in live weight and to have so many head in this herd and for this it is possible to obtain a certain sum of money.

And now begins the ordeal of the kolkhoz. They ship their steers to the other end of the world, losing up to 20-25 percent of their live weight en route. They have arrived. But the receiving clerk at the meat combine has her own planning assignment and begins to give them a bad time. The weight is not right, the steers are puny, and the yield of "slaughtered weight" from live weight will be low. And then everyone who has anything to do with this works over the people releasing the cattle to their heart's content. And this lasts for 2-3 days. Wait your turn! Wait until the peasant has no more resistance. Then they accept them! But with such omissions and recalculations that even if one-fourth of the "slaughtered weight" of the meat goes outside the meat combine's plan will still be fulfilled.

The combine director is not concerned about the extraction of raw materials for the work of his enterprise—this is a fairy tale for the food worker. I am convinced that there is not a single director of meat combine, dairy, or vegetable base among those who have emigrated to the remote regions. Why? Because nowhere in the world can you find such perfect conditions for the manager who processes agricultural products!

A mixed feed plant. Its director is given a plan for accepting (not purchasing, no, accepting!) a certain quantity of grain for processing into mixed feed. He is also given planning prices depending on the grade of the grain.

The kolkhoz and the sovkhoz have plans too, but for the release of grain. And a condition—to release it directly from the combine, with the weeds, straw, and chaff. Why? You, reader, have not yet guessed, but the kolkhoz chairman has figured all of this out long ago.

The grain is being accepted. And again the quality is being determined and there are arguments. But here there is a waiting line, hurrying, arguing, and idle time of vehicles.... Finally it has been accepted and the percentage of weediness has been calculated. They have begun to sort it. All of the impurities for which the price was reduced have gone into the mixed feed. And this is the same feed which according to the schedule is distributed among those farms which have released the grain. Frequently there are not enough supplements for it and the grain along with the impurities, rethreshed at best, is returned to the farm from which it was shipped. There is an awkward situation and the grain makes the trip for no reason. Throughout the country as a whole each ton of commercial grain travels almost 1,200 kilometers. And the Ministry of Grain Products is in charge of this whole affair.

Clearly it would be better to transfer the processing of grain into feed to the farms themselves. But this is a frivolous wish, reader. The point is this: the kolkhoz sells the plant grain at a price, say, of 120 rubles per ton and purchases it back at the wholesale price for industry—290 rubles. Can you find a ministry that would voluntarily let go of such a quantity of gold?

The director of the mixed feed plant lives free and easy. The kolkhoz supports him and the state checks to make sure that, God forbid, this dependent person is not left without free raw material.

This social dependency reached its apogee in the system of the USSR Ministry of Water Management.

About a million and a half people supplied with many billions in production capital including the most powerful earthmoving, concrete-laying, road and construction equipment. They burn millions of tons of fuel, turn over billions of cubic meters of earth, and lay many thousands of kilometers of canals....

Land reclamation workers have buried more than 75 billion rubles in the fields and ditches during the three five-year plans from 1971 through 1985. They proudly prove that because of irrigation the country receives one-third of all of the gross output from crop growing. Impressive declarations!

Let us say that there were 3 million hectares of nonirrigated land. We received from this land farm products worth approximately 3 billion rubles. The land reclamation workers came in, built irrigation systems, investing 12 billion rubles in this, and from the same land they began to obtain an overall total of 3.3 billion rubles' worth of products. A conscientious person in this case would say: my contribution to this result is insignificant: 10 percent. But the land reclamation worker proudly asserts something else.

So for the indicated 15 years we have received a real increase in output as a result of irrigation for grain—3.9 percent, vegetables—8 percent, feeds—9.5 percent, and sugar beets—6.5 percent, that is for the total of the years—43.5 billion rubles. And yet, in addition to the billions for land reclamation, approximately 50 billion in current expenditures were spent for raising and harvesting the agricultural products!

What do you think, reader, when will we recoup these billions in net income? Do not guess, you do not have enough imagination. Having calculated the investments and increase in output during 1981-1985, the Ministry of Water Management with a reproach against nature says: Because of it (Russian nature) the billions will be recouped in...25.6 years. So, perhaps our children will catch up. But here too the Ministry of Water Management is being disingenuous.

The actual increase in gross output during these 5 years (note that we are using the figures of the Ministry of Water Management itself and not subjecting them to any doubt) was 2.5 billion rubles. The net income (or profit) for these products in terms of the actual level of profitability of the sovkhozes and kolkhozes was approximately 400 million rubles. And the investments of land reclamation workers in draining and irrigating the land on which this increase was achieved during the 5 years are calculated at 43.9 billion rubles. So figure out how many years it will take to recoup, to replace these billions. Have you already calculated it? It is simple—divide 43.9 billion by 400 million and you obtain no more or less than 109.7 years! Which children are we talking about.... Our grandchildren will have to wait!

And why does it turn out this way? Again the kind and rich uncle of the state gives the Ministry of Water Management billions from its state budget. And for these—material resources. The Ministry of Water Management determines for itself which work is more advantageous and where. Then it accepts this work and evaluates its quality. It pays itself for this work, awards its own bonuses, and applies for awards. Then with the guise of a philanthropist it turns the reclined hectares over to the kolkhoz or sovkhoz.

And what are they to do? You do not look a gift horse in the mouth. They accept it, they till it, they plant it, and they harvest it, and then it turns out that the land either becomes weedy or it is flooded by groundwater and then it becomes marshy. About half of the reclaimed land is now salinized by the groundwaters coming up from below. Up to 35 percent of the land in the areas where the land reclamation workers have been working especially actively has been flooded.

The consumer of the land reclamation work is the owner of the land, the peasant who is deprived of the possibility and the right to control its quality. The all-powerful innovator is the master of the situation, the one who holds the billions of rubles and material resources. There is no point in arguing with him. The landowner must come to him with his hand held out and ask first for lime, then for fertilizers, then for herbicides, or else a tractor with a bulldozer. And the land reclamation worker knows this and will not forget about any offenses.

It is necessary to change this system of organized state dependency. The slogan "The land to the peasants" was not set forth so that the money collected from them could feed dependence. This is not state money, although it goes through the state budget, but the people's. The owner of it is not the person who temporarily has it but the one who has produced the products and transformed them into money.

The produced product must be distributed not simply mechanically—according to labor, but according to labor that is MATERIALIZED in the product, that is, in the final results of management. And there cannot be productive labor if it causes harm to man, to nature or to both taken together.

### What Kind of Economic System Do We Need?

Our state acts as the owner of all decisive means of production, including natural resources—the land, its minerals, water, and forests. Financial resources are concentrated in the hands of the state. Why?

For social compensations for workers for some previously envisioned or unforeseen social situation; for overcoming a threat to the environment and to people as it appears; to contribute to rapid and radical changes in public production when, under the influence of scientific and technical progress, there arises the need and possibility of changing it to a qualitatively new condition; to regulate the structure of the national economy if it begins to be transformed in directions that are dangerous for the people. The state also has other economic functions.

But here is the main answer to the question: in realizing ownership of the means of production, is the state obliged to use them as an object of management? Should it take on the functions of a provider that provides the people with everything they need? Does it need to take on the functions of direct management of production of all products—from atomic boilers to nails, clamps, and standards? These are unthinkable, unprofitable and impossible commitments. And our state has taken on all of them! And to do this it has created an immense system of economic organizations and given them the prerogatives of power.

In the old days they said: if you want music you must pay the fiddler. But we are not paying. The ministry, having taken the right to make management decisions away from the director of the plant or the sovkhov, does not make them himself either. There is the corresponding apparatus of party agencies to do this. It is in command of the ministries as well. And they have adapted to this—there is no need for them to take responsibility.

It is possible and necessary to find the specific parties guilty of this. But there is little advantage to this if the existing system of management will continue to force them to operate as before. This means it is necessary to change the system. And the first, the most fundamental and radical measure in the program of these changes is legally and economically to distinguish ownership of the means of production from the possession of them as an object of management.

What does this mean? The state is still the owner. It leases all the means of production belonging to it to the collective, family, and individual commodity producers. The rental payment and taxes become the only economic form of realization of the state right to ownership and the only permanent form of management of the economic activity of socialist commodity producers. State and cooperative and individual-family.

By regulating the norms for rental payments and taxes the state influences the economic interests of the commodity producers and thus motivates them to engage in the production of precisely the items for which there is a social demand, and their sale with existing norms for rental payment and taxes produces the greatest effect.

Only on this basis is economic independence possible.

In the agrarian sector of the economy, naturally, one must speak primarily about rental of land.

Some people are already disturbed. This is an encroachment on the unexampled social conquest of the proletariat in the kolkhoz peasantry! They want to transform the land that has been given free of charge for indefinite use into an object of rental!

I shall respond. With the victory of the revolution the land became national property free of charge and forever. Free of charge means without redemption. Yes, that is the way it is. And now let us turn to practice.

During all of the years of their existence up until 1954 the kolkhozes sold products at nominal, that is, beggarly, giveaway prices. No less than three-fourths of the products procured by the state were free of charge. Is this not payment for the land which was given the kolkhoz to use (and not to own)? Then came periods of gradual increase in prices. But even in the 1970's by purchasing agricultural products at prices less than their value, through the so-called turnover tax, the state accumulated in centralized net income and in the budget from 43 to 54 billion rubles annually. This is the sum of money that was not paid to the kolkhozes and sovkhovs. Moreover, a constant increase in prices for industrial means of production purchased by the kolkhozes and sovkhovs while the price for agricultural products remains stable took an additional from 8 to 12 billion rubles away from them. I wrote about this to the directive agencies and published articles about it in scientific journals and books.

If this is not payment for land that has been turned over to the kolkhozes and sovkhovs to be used then what are they paying this money for? Taxes? But taxes, like insurance payments and deductions into social security (for pensions) and amortization deductions (we do not know on what basis) and free profit—they take all of this from them except for the aforementioned sums.

This means that in practical life the kolkhozes are paying and will be paying for the land. Only now they take this payment in a camouflaged way and nobody knows whether it is fair or not. We are suggesting legalizing it, calculating the normatives without mistakes, and paying them. Then nobody will encroach upon the income that remains after the payments are made.

Now about the fact that the land has been turned over "for eternity." Politicians in the age of industrialization and collectivization knew what to do. By 1936 the term



"eternally" was replaced by the term "indefinitely." This was not simply a lexical change. According to Lenin's decree on the land, they were speaking about transferring the land to the peasant for possession with the right to dispose of it, including rent it, as long as he did not sell it. And eternally meant at least until the end of the peasant's life. In 1936 there appeared the term "for utilization"—this means without the right to dispose of it. Additionally, a law was adopted concerning criminal liability for rental of the land. The state became not only the owner of the land, but also the possessor of it, the master which granted the right to use it to the kolkhoz and not to the peasant. And the kolkhoz became the obedient implement of the master. And the latter in the form of the apparatus of state authority obtained the right for unlimited possession of kolkhoz land as an object of management. This is where there was a merging of the ownership and possession of the land in one figure—in the figure of state agencies with both the economic and legal right to manage the land and dictate to the kolkhoz the structure, technology, and scale of production.

And what if we do not distinguish ownership from possession? With the transformation of the peasant from the possessor of the land into a user, the term "indefinitely" takes on new meaning. It acquires the meaning of the words "without the establishment of a time period." And this means that at any time the possessor can be deprived of the right to use the land. Without this it would have been difficult during the 1960's to transform the kolkhozes and sovkhoses without worrying about it; and in the 1970's—to drive them into associations and interfarm enterprises, to take their buildings and equipment away from them, and so forth.

By acting in this manner, we move more rapidly from an economic system of the barracks-communal type to a system of the democratically socialist type, where the rental agreement is a document that clearly determines the period of possession of the land and the payment for it. It is equally binding for the kolkhoz and for the state.

The second thing that immediately comes to mind: the extension to the sovkhoses of all the basic norms of the law on cooperation in the USSR. This, incidentally, was discussed by many delegates to the 19th Party Conference and was discussed at the subsequent plenum of the CPSU Central Committee.

If we want to have an independent commodity producer we must prohibit all kinds of attempts to regulate the economic activity of the enterprises and cooperatives. This includes central distributory planning. The state order is incompatible with coercion. It is accepted only on a voluntary basis. And the procurement agencies have only one way of forcing the sovkhos to accept the order—to make it advantageous for the commodity producer in terms of its economic parameters. There are no other variants. For this it is necessary for the sovkhos

to be not the user but the undisputed possessor of the land. And the state remains the owner, forfeiting the right to inefficient possession.

Recently there have been more and more complaints about the RAPO and the Gosagroprom. This probably serves them right because with their appearance no essential changes in the food problems. Even if sugar began to be distributed with coupons. "Since we have recognized that the current system of management of the APK has not produced any special effect and is becoming obsolete, there is no point in holding onto it," said M. S. Gorbachev at the plenum of the CPSU Central Committee.

I quite agree with this conclusion. And it seems to me that what are largely to blame here are the management functions that have been placed on the agroprom by the state acting as the sole possessor of the land and bearing responsibility for the results of work on it. For, after all, the state is an abstraction. And it is manifested in its structural institutions. So is the Gosagroprom, as were also the corresponding ministries. Their signs have changed, but their essence has remained the same.

Having distinguished a state ownership of the land from possession of it and having granted the sovkhos and kolkhoz the full right to dispose of it, we will be able to clearly and reasonably divide up the management functions between state and economic agencies. State agencies will retain functions of overall strategic leadership of the economic and social policy, the development of long-range prognosticatory plans, and the current policy. And, finally, the regulation of national economic proportions, structure and the scale of production so that they will approximate the real social needs for products.

The last thing here sounds most crucial. For we have become accustomed to have this regulation be carried out throughout our life through orders and distribution of mandatory planning assignments. Now it is being suggested that this function be performed with the help of the influence on the will of the manager and his economic interests. And it will be necessary to regulate not production itself but market conditions for the sale of its products.

There arises the question of the prices for the products the state will order from the enterprises. I think the state agencies should refrain from developing prices as such. Nobody has ever provided for equivalent exchange of commodities with artificially formed prices.

It is necessary to develop maximum price levels for the most strategic kinds of products. And the buyer and seller must be given the opportunity, even if it is a state procurement office, during the course of the transaction to agree on a concrete price. For tractors, combines and other kinds of equipment it is necessary to establish only

the upper limit of the price to restrict the monopoly of industrial enterprises and deprive of them of the possibility of dictating their will to the consumers of these machines.

Thus prices lose their directive nature and become something like limiters, instruments for regulating economic relations. Their upper limits reflect the work conditions for the cultivation of each commercial product in specialized zones of large-scale commercial farming.

The development and application of a system of maximum price levels, rental rates and taxes, regulation of bank interest, the state order, subsidies and state investments—these are essentially the entire set of regulating instruments. By using them state agencies control economic activity and do not intervene in it.

The second aspect of this system is controlled. It is exercised primarily to protect the rights and interests of people as residents of the environment and consumers of agricultural products. Control over the safety of production for nature, sanitary and veterinary control, observance over strain-seed and breeding work and over the safety of technology—all these are the permanent functions of the state.

State management agencies are formed in the rayons and oblasts only for one task—the creation of the most favorable possible conditions for the economic activity of the kolkhozes, sovkhozes, various cooperatives, and individual commodity producers. They themselves create these agencies democratically, making them responsible for business necessary for the preparation and service of production and sale of products.

And, finally, the question of the subsequent policy in the area of state investments. I have already shown how it eats up many hundreds of billions of rubles in public money with no purpose and no result. Dividing up the

functions of authority according to the principle of "to each his own" will be able to place an insurmountable barrier against this kind of policy. The main source of investments is accumulations of the commodity producers themselves and bank credit. In cases where the state uses money from the budget to finance large-scale measures like, say, land reclamation, there is a radical change in the policy for the allotment and assimilation of these investments.

The commodity producers who rent the land, perhaps in conjunction with the local agroindustrial bank, develop a program of land reclamation work and defend it in the Gosagroprom. And upon approval the bank allots the investments.

Having received the money the corporation selects and hires the contractors—the land reclamation organization. It concludes a direct agreement for the performance of the work. The client monitors the quality, accepts the land, and only after this does he pay for the work. There is no need for any water management ministries. And the planning institutions will be forced to work under a direct cost-accounting order. They will know that the client will not throw away money. And monopolistic appetites will die out of their own accord. And they will develop plans trying to make them as inexpensive as possible.

Now tell us, comrade farmers, which system do you like better? The one that forces you to go against your conscience and bow to the departments or the one we offer, maintaining your high status as an independent worker who feeds the country?

I can note with satisfaction: much of what has been bothering me for a long time was reflected in the July Plenum of the CPSU Central Committee. We must all work hard so that these correct words finally become good deeds.

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## POLICY, ORGANIZATION

**Zaykov, Architects on Moscow Planning**  
18210017 Moscow MOSKOVSKAYA PRAVDA in  
Russian 18 Jun 88 pp 1-2

[Report by G. Kurennoy and B. Shestakov on meeting between L. N. Zaykov, member of the Politburo and secretary of the CPSU Central Committee, and Moscow architects and city planners 15 June: "The Moscow of Tomorrow Is Springing Up Today"]

[Text] Along with all the Soviet people, Moscow's architects and construction industry workers are discussing the CPSU Central Committee Theses for the 19th All-Union Party Conference these days. The large-scale socioeconomic tasks set forth in this document place an important responsibility on them.

This was stressed in a meeting on 15 June between L. N. Zaykov, member of the CPSU Central Committee Politburo, secretary of the CPSU Central Committee, and first secretary of the MGK [Moscow City Committee] of the CPSU, and the capital's architects, designers, and urban planners.

A frank and interested conversation on ways to shape and develop Moscow in the future continued for over 7 hours. More than 20 participants in the meeting expressed their views on these matters in the discussion, which was amicable and democratic in nature. The display of the capital's Permanent Exhibition on Urban Planning contributed to an objective discussion of the matters which concern every Moscow resident.

Opening the meeting, L. N. Zaykov noted that it is taking place during a period of basic restructuring of the country's economic, social and political life and during the days when Muscovites and all Soviet people are getting ready for a most important event—the 19th All-Union Party Conference.

The problems being discussed are particularly important in connection with implementation of the social programs advanced by the 27th CPSU Congress.

Over the years of Soviet rule, many socioeconomic and urban planning problems have been resolved and a powerful construction industry has been developed in Moscow. Many architectural works have been created, and the best of them have become part of the repository of national and world culture.

At the same time, negative trends have appeared in the capital's development over the past decades, it was pointed out at the meeting. The reason for them is that the importance of urban planning and architecture as an effective means of resolving the most important socioeconomic and sociopolitical problems has been underestimated.

In the course of implementing the General Plan which is in effect, there has been unbalanced development of the city-forming base of the capital and an increased rate of construction for industrial production. This has led to the point where there are 1.3 million persons in excess of the estimated indicator for the population today. In spite of the significant volume of housing construction, about 2 million Muscovites now are in need of improved housing conditions.

The quantitative indicators of housing construction have assumed a leading role and have pushed the task of developing Moscow as a major world capital and improving its architectural and artistic appearance into the background. Our city has begun to lose its skyline, its diversity of shapes, and its rich coloring.

Those taking part in the meetings to advance candidates for delegates and to discuss the CPSU Central Committee Theses for the party conference were justified in pointing out that the unintegrated construction and orientation basically toward standard large-panel housing construction have begun to make the city's development appear unexpressive and monotonous. The architectural quality of most of the industrial buildings and structures is poor.

Moscow's very rich architectural legacy is not being utilized satisfactorily. Landscaping, monumental and decorative art, artistic political appearance and city design are not being developed adequately.

The necessary glasnost has been lacking in reviewing the plans and results of activity by the city's housing construction complex. There are also many other unresolved problems in the capital's vital activity which attract the attention of party, soviet, and economic organs, the representatives of public organizations, creative unions, and Moscow's residents and visitors.

N. P. Shepelev, secretary of the party committee of the Glavmosarkhitektura [Main Architectural Administration of the City of Moscow] noted in his address that communist architects are actively discussing and supporting the CPSU Central Committee Theses for the party conference. Open party meetings have been held in all scientific-research and planning organizations of the central directorate which have resulted in many concrete working suggestions addressed to the administration, party committee and higher organizations.

A number of suggestions deal with the fate of perestroyka and the broadening of interparty democracy and glasnost.

But the main basis of the Thesis discussions was how to raise the personal contribution of architects and city planners restructuring and on specific measures on their part to improve architecture and city planning and planning estimates work.



Chief Architect L. V. Vavakin; A. R. Kegler, chief of the Planning and Construction Administration of the Glavmosarkhitektura; Yu. P. Grigoryev, deputy chief of the Glavmosarkhitektura; and others pointed out that restructuring has revealed a number of contradictions in Moscow city planning. The lack of an effective mechanism for controlling the city's territorial development has become apparent. The predominance of sectorial elements has led to major disproportions in carrying out the program to develop Moscow.

Out-of-date methods of planning and administration have been used to resolve the city's most important problems. A large number of decisions, programs, schemes, and volitional solutions that were adopted previously are poorly coordinated and often conflict with each other.

Implementation of Moscow's General Plan has not been guided by a system of continuing inspection and adjustment in the course of carrying out the decisions that are adopted.

Moscow architects and city planners have not always held principled positions in matters related to implementation of the General Plan for the city's development and improvement of the expressiveness and diversity of its construction.

The impractical use of land in siting industrial, transportation, and warehouse projects is a source of considerable concern at present. Underground areas of the city are not being developed satisfactorily. Many of the speakers suggested that payment for the use of city lands be introduced as a solution.

The first steps aimed at improving the quality of the capital's architecture have been made today. The Concept for the City's Development up to the Year 2010 was drafted by Moscow organizations for the purpose of establishing distinct points of reference in the city's future development. The draft of the Concept was approved by the Politburo of the CPSU Central Committee on 25 September 1986.

The Concept envisages improvement in the pattern of Moscow's national economy based on predominant development of sectors which determine scientific and technical progress and provide for stabilization of the city-forming base of the city and its population.

The USSR Council of Ministers has adopted a decision to draft a unified General Plan for development of the Moscow region up to the year 2010. This work is the most important direction in the activity of all Moscow organizations, and it should be completed in 1988. The territorial-sectorial program "Progress-95" and proposals to provide for integrated grouping and improvement in the architectural expressiveness of areas in the city with mass housing construction are integral parts of the draft of the new General Plan.

A resolution was also adopted on integrated renovation and civic improvements in the central part of Moscow up to the year 2000.

A. V. Vasnetsov, chairman of the board of the USSR Union of Artists, pointed out in this connection that careful treatment of the monuments of architecture and culture and the city's historic buildings is an urgent matter.

A draft of the "Architectural Heritage" program has been completed. The program provides for repair operations to be carried out on 9,500 historic buildings and restoration work to be performed on 1,564 buildings and monuments in Moscow in the period from 1987 to the year 2000. The overall expenditures to carry out the program will be over 1.6 billion rubles.

A significant amount of housing and civic construction is to be carried out along with work in the center. Construction of over 4 million square meters of housing annually is being planned.

The executive committee of the Moscow Soviet has approved a decision to provide for overall development of the city's new rayons, where 7 million square meters of housing will be built. Specific steps have been established to improve architectural expressiveness and diversity in building the new housing blocks.

The CPSU Central Committee and USSR Council of Ministers decree of 19 September 1987 "On the future development of Soviet architecture and urban planning" is of considerable importance in developing and shaping Moscow over the long-term future.

In this connection, the tasks of improving the architectural appearance of Moscow, the country's capital, are being given priority in the activity of party, soviet, and economic organs and public and other organizations in the city.

Moscow should become the leader in resolving the combination of problems in the current stage of our society's development. The bureau of the Moscow City Committee of the CPSU has adopted a decree related to improvement of Moscow's architecture and city planning for elaboration of this solution by directive organs.

This decree recommends that the Moscow city executive committee, the Mosgorplan [Moscow City Planning Commission], the Mosstroykomitet [Moscow City Construction Committee], and the Glavmosarkhitektura provide for priority development of Moscow's capital functions as the country's political, scientific, cultural and industrial center; stabilize the city's city-forming base; withdraw and re-site the nonspecialized and ecologically harmful enterprises and production facilities; and improve the architectural appearance of industrial

enterprises. Attention to the solution of social problems—housing, transportation, public health, commerce, public eating facilities, and public services—has been increased. Planning and construction organizations have taken aim at overall development of the city's residential rayons and microrayons and at creating conditions in them for organization of the people's vital activities; at increasing the architectural expressiveness and diversity of mass construction; and at preserving Moscow's architectural and historical heritage and organically combining new development with the city's historical appearance. Landscaping, artistic political appearance, and city design are to be further developed.

The Moscow Soviet executive committee must speed up adoption of an appropriate decision and establish specific steps to carry it out.

The Public Council on City Planning, established at the initiative of the Moscow City Committee of the CPSU, is an effective factor today in restructuring architectural and construction policy in Moscow. Its meetings collectively work out the principles of city planning policy, determine the social order on central questions of the city's development, and set the tasks and define the objectives for scientific and technical progress. The council is becoming democratic, taking the entire spectrum of opinions into account, and a public organ for resolving the conflicts which impede the development of architecture and construction.

We will have the opportunity to organize efficient interaction among those taking part in the production line of planning and construction as well. This involves an accurate definition of the social order which responds to the city's requirements and opportunities and implementation of a planning decision and approval of a directive document based on it.

The most important part of the overall task is its execution. This is the objective of a qualitatively new organization, the Mosstroykomitet, the establishment of which was approved by an appropriate decree of the USSR Council of Ministers.

This is a unified territorial-sectorial organ which supervises the activity of city construction organizations and enterprises and coordinates the plans of construction and installation organizations and ministries and departments which are located in Moscow and engage in construction operations in its territory.

It is made up of six former main administrations of the Moscow city executive committee that were reorganized into planning and construction associations, which makes it possible to establish a continuous technological cycle—from drafting of the working documents to the commissioning of a project. And the fact that it provides for accelerated development of the material and technical base of the city's construction industry is especially important.

The new management structure, Mosstroykomitet Chairman P. S. Surov noted, will ensure balanced development and coordinated interaction among the components of the city's construction complex and will make it possible to manipulate labor and material resources more freely.

Conditions are being established to organize the work of construction subunits in a closed cycle [po zamknutomu tsiklu].

V. I. Resin, first deputy chairman of the Mosstroykomitet, and B. V. Selivanov, chief of the Mosstroykomitet's Single Customer Association, stressed that increasing the practical opportunities of the city's construction complex will make it possible to get rid of outdated stereotypes in the psychology of construction workers, from the time when construction was developed in the city for the sake of construction and installation work volume, not for the sake of meeting the people's diverse social, cultural, and everyday requirements.

Instead of the square meter, the end result of the work will first become the apartment, then the completed municipal infrastructure—a living environment, a completely integrated microrayon and a city planning complex.

The role and responsibility of the single customer will be increased at the same time.

Under these conditions, the Glavmosarkhitektura must be charged with the responsibility for planned solution of the "apartment for each family" problem and improvement in the architectural and artistic quality of the city's development as a whole at the same time.

In order to resolve these problems, it is expedient for elaboration of the draft of the new General Plan for the Moscow region and continuous supervision of its implementation; the plans for siting all types of construction; the detailed planning of residential rayons and microrayons and industrial, municipal and recreational zones; and the drafting of plans for all types of experimental, standard and special-purpose buildings and structures, as well as the planning of projects in the city's historic central area, to be concentrated in the Glavmosarkhitektura.

At the same time, the Mosstroykomitet's planning and construction associations have to begin developing planning services, which will make it possible to eliminate problems in providing construction sites with overall planning estimates in a timely manner.

It is advisable to put the working documents for mass construction, based on sketches for the development worked out by the Glavmosarkhitektura, into the PSO [planning estimates].

It is necessary to transfer planners to the Mosstroykomitet by stages, adhering to democratic principles, to ensure that full-fledged planning and construction associations are formed.

It is assumed that this structure of the planning-construction production line will make it possible to ensure that the city's socioeconomic and city planning programs are carried out in full.

We must organize efficient interaction between architects and builders and speed up the introduction of new scientific development and planning solutions. This was mentioned at the meeting by Yu. P. Gnedovskiy, secretary of the board of the USSR Union of Architects; A. G. Rochegov, chairman of the board of the RSFSR Union of Architects; and I. G. Biryukov, chairman of the board of the RSFSR Union of Architects' Moscow organization. Organization has to be simplified and all those taking part in planning and construction have to bear greater responsibility for the high quality of the end result of a joint operation.

A. P. Kudryavtsev, rector of the Moscow Architectural Institute, said that in it is important not to lose sight of the fact that the question of the quality of Moscow's architecture is not only artistic and technical but ideological.

Resolving practical problems in raising the architectural significance of Moscow's buildings in many ways depends on the level of organization of planning and cadre responsibility for the daily affairs of the Glavmosarkhitektura.

It was noted that shortcomings and omissions continue to exist in the work of the Glavmosarkhitektura and its planning subunits. Restructuring is proceeding slowly in the main administration and all its subunits. Planning organizations are not adhering to time periods established for submitting documents. The completeness and quality of plans are criticized by contracting organizations and customers. The acceptance of decisions approved at meetings of the Public Council on City Planning related to improvement in the completeness and architectural expressiveness of the city's construction development is being delayed.

The Glavmosarkhitektura party organization is not insisting that communist managers adhere to the high standards required today in implementing the party and government decrees and reinforcing discipline. The main administration's party committee has not completely eliminated liberalism and attempts to smooth over the rough spots. The reasons for failure to complete work and objective problems are being discussed, but the manager does not receive an assessment of his activity for the end result.

In order to begin restructuring in deeds, not in words, it was pointed out at the meeting, the Glavmosarkhitektura must prepare proposals in the shortest possible time

to improve the organizational structure and development of material and technical supply, introduce cost accounting and self-financing, reinforce the normative base for planning in Moscow, improve the efficiency and quality of planning and surveying operations, introduce ASU and SAPR [automated control systems and computer aided design systems], and strengthen the effectiveness of experts' appraisal and inspection to ensure that a new level of quality is reached in organizing operations. The important capabilities of planning cooperatives, which have demonstrated their effectiveness in practice, cannot be overlooked in the process.

These proposals must be prepared by taking into account the restructuring of the city's entire capital construction sector.

For their part, the Moscow Gorispolkom and the Mosstroykomitet should also change their treatment of the problems of drafting and implementing the General Plans for developing and renovating Moscow and the problems of improving its architectural appearance.

S. F. Pankina, director of the Mosinzhproyekt [Moscow Institute for the Planning of Engineering Installations], also spoke about the need for accelerating engineering support for construction development in the territories.

The USSR Goskomarkhitektury [State Committee for Architecture] should play a more active role in resolving Moscow's problems, including the problems of improving standards, reducing the volume of planning estimates, and simplifying the procedure for their coordination and approval.

Architects I. I. Loveyko, A. D. Meyerson, B. I. Tkhor, and V. V. Stepanov pointed out in their statements that it is time to realize that all the successes and failures in any construction project are determined to a crucial extent by the quality of planning decisions and the quality of work performed by architects, designers and engineers.

Summing up, L. N. Zaykov stated that there is an extraordinary increase in the role played by architects, planners and builders today. With the help of party, soviet, and economic organs and the public at large and by efficiently coordinating their efforts, they should return leadership to Moscow in the overall solution of socioeconomic and city planning problems. We must develop glasnost in working out volume and planning solutions in city planning and competitiveness in planning proposals. We must improve the architectural quality of the residential and public buildings planned, organically combine new development with the capital's historic appearance, and take ecological factors more fully into account in our activity.

Such complex problems can be resolved only when there is widespread action by the public and a bold, creative search by city planners. The importance of architecture



as an art and a means of communist education for the masses is increasing more and more during the period of revolutionary restructuring. Moscow's appearance should reflect the very rich material and spiritual culture of the Soviet people and their peaceful and constructive objectives.

On the threshold of the 19th All-Union Party Conference, Moscow's architects and builders should become more deeply conscious of their professional obligation to the people. By talking this over democratically with the working people and studying society's real requirements, they will make an important contribution to accelerate the socioeconomic development of the Moscow region.

L. N. Zaykov responded to many questions from those at the gathering.

V. T. Saykin, chairman of the Moscow Soviet Ispolkom; Yu. A. Belyakov and V. K. Belyaninov, secretaries of the Moscow City Committee of the CPSU; O. A. Koshkin, head of a sector of the Construction Department of the CPSU Central Committee; and representatives of the USSR State Committee for Architecture and a number of creative unions took part in the meeting.

8936

## LABOR

### Bunich Views Problems, Gains of Cooperative Activity

18280071a Moscow OGONEK in Russian 16-23 Apr 88  
pp 2-3

[Article by Pavel Bunich, Corresponding Member of the USSR Academy of Sciences: "Both Allies and Competitors"]

[Text] Passions are at a boil point over cooperation! It is charged with involving unnaturally high income from inflated prices and the use of cheap state products and even consumer deception. There is also another point of view: yes, the income of the cooperatives is high and this is good. There have been instances in which a cooperative has "revived" an unprofitable and neglected enterprise. Robust young people are bursting into this new Klondike as they strive to seize a portion of this insatiable market!

And what about the workers at state enterprises? They feel cheated. Their former optimism has encountered competition and thus is now weaker. And this occurs at a time when cooperation is still in its infancy! What will be the situation in the future? The possibility is not excluded that the cooperative craze will seize broad layers of the population. There are those who wonder if it would not be better to attack this violent development in advance.

At the present time, the income of cooperative specialists as a rule greatly exceeds that of workers at state enterprises. This is explained first of all by the well known advantages offered by cooperation, which I believe will also be in the state sector in the not too distant future.

What explains these enviable earnings of the cooperative specialists? They derive from monetary earnings. From such earnings are deducted the costs for raw materials, power, the price of a patent (license), rental payment and amortization. The remainder is shared by the members of a cooperative: a portion represents profit and a portion is used for wages. And there are no normatives. Nor are any funds or reserves established. The cost for a patent and the rental payment are constant and everything else that remains is dependent upon the members of the cooperative themselves. The better the goods and the higher their quality, the greater will be the earnings. If the production operations are sound from a technical and technological standpoint, fewer raw materials will be expended. This is still not easy to achieve and in the future we can only hope for further progress. At that time, the overall wage funds will grow even more: there will be a reduced need for workers and the wages for each worker will be higher. It goes without saying that an opportunity will present itself for selecting the best

qualified personnel, individuals who are masters of their work, and also inventors and designers. Inventive firms will also arise—these also will obviously be cooperative ventures.

We must not forget the profit! In the absence of profit, there can be no technical development, production expansion or new markets. Future earnings will be derived from the profits realized. The law is well known: in order not to lose the soil under one's feet, one must run! If a particular cooperative does not run and others do, then the former will not be able to withstand the competition and as a result it will fall behind and lose its profit. No cooperative is guaranteed against bankruptcy.

The best cooperative results are not being achieved by means of a cavalry attack. In order to find something, it is sometimes necessary to lose something. Losses at times occur which are unforeseen and which cannot be made up. The effects of such losses must be alleviated. But how? First of all, no haste should be displayed in spending earnings during favorable or "productive" years, but rather a portion of the income should be placed in an insurance fund; or earnings should be issued completely after first warning the workers that during "unproductive" years they will themselves be required to adjust any economic irregularities. The second method—to compensate for low wages with the aid of credit—bank or firm credit.

And what about the formation of wage funds at state enterprises? At the present time, the wage fund reproduces last year's fund. There is no risk of a reduction. There are not sudden drops nor is there insurance. It is all very simple. But such simplicity is worse than thievery and tends to underscore one particular aspect: all stimuli disappear.

Thus I believe that sooner or later wages, including those at state enterprises, will become mobile and reflect the cost results of production. At such a time, they will stimulate the initiative of workers and the creative energy and effectiveness of labor. Enterprises in the state sector will obtain a fine system that will be capable of co-existing with cooperatives and competing against them.

Cooperative thought is ingenious, resourceful and responsive to requirements. Any and all requirements! Cooperatives can be found everywhere. They can restore tires, repair automobiles and apartments, build dachas, open up cafes and sew jackets. Towards this end, they need only facilities, machines and raw materials.

Cooperatives are filling up the old breaches in the country's economy. Cooperatives have appeared for strengthening the outer doors of apartments, such that they cannot be broken down by thieves. Cooperative organizations now exist for combating insects. Cooperative specialists are teaching children the art of painting.

They are organizing tutoring work. And they are conducting gymnastic exercises for adults and furnishing assistance to elderly persons in carrying out their daily routines. Is there a demand for pastry? Please! Cooperatives are at your service!

The possibilities are endless. Cooperative societies, which are like streams running towards a river, are finding their way to the people—and they are doing so despite adverse currents, including submerged ones.

Mentor voices are being heard: cooperatives are not characterized by much sweat or muscular effort. True, there is not always a great deal of this. But must useful labor be a very burdensome type of labor? Since olden times, mankind has continued to assign more and more physical labor to equipment and to realize progress through intellectual activity. There is good reason for science finally being referred to as a direct productive force. And to measure economic effectiveness in terms of the number of hands, shovels and wheelbarrows—this is nothing more than the Stone Age.

A chief advantage of man—ideas and inventions. And ideas and design proposals must be paid for as multiplied simple labor and not as shared labor. When a state sector includes in an economic crop rotation plan a 60-year old area of enterprise that has atrophied as a result of initiative punishability, then there will be no great advantage to cooperation and overall earnings will level off at a high level.

In the majority of instances, labor productivity in cooperation is higher than in the state sector. If workers at state enterprises strived, in the manner of cooperative specialists, and did not count the money in other pockets, then it is fully possible that they also would acquire considerable sums. Thus it should be when introducing true cost accounting into operations.

The Law on Cooperation in the USSR (when it is accepted and placed in operation) and the Law Governing a State Enterprise (association) extend different rights to labor collectives engaged in the same type of activity in cooperation and the state sector. I am obviously not comparing VAZ [Volga Automobile Plant] with an artel consisting of several individuals—here we have in mind a comparison of enterprises in light industry, public catering or domestic services for the population. More freedom is found in these spheres of cooperation—precisely in a change in their profile and prices.

State orders are placed in cooperation on a voluntary basis, that is, they are always profitable. And not just for the cooperative specialists but also for the state. Cooperation makes no payment into the budget for the funds: self-financing! State enterprises also operate on a self-financing basis and yet they make such payments. Thus, it appears to me that once a conversion has been made over to self-financing, the payments for the funds should also be abolished at the state enterprises.

Before long the cooperative societies will be able to select their own bank, which will provide them with services. Moreover, they will be able to create their own banks. The plans call for the formation of cooperative insurance institutions, which will introduce new and advantageous types of insurance. And yet even at the present time the state enterprises are not insured against commercial risk, unstable exchange rates or others. All cooperatives can attract into use the resources of their members; and enterprises can also, but again on an "individual" basis and in accordance with special decrees. Cooperatives are free to draw pensioners into their operations—with no reductions in the pension amounts—whereas state enterprises are authorized to do this only for certain categories of workers, with a total amount of pension and earnings prevailing for the remaining workers. In the case of employment of people holding more than one position, cooperatives are free to pay more than one half the rate. Meanwhile the state sector is still held back by limitations.

Enterprises of cooperative ownership are not required to bear many additional burdens. Thus they are not required to allocate workers and equipment for furnishing assistance to agriculture or bases. Cooperation is not burdened with excessive accountability: it provides local organs only with information on the volumes of work, expenditures and income. And nothing more. Of equal importance is the fact that higher cooperative departments are formed only with the voluntary consent of the primary elements and they serve the rank and file members. All of this serves to provide savings in both overhead and administrative expenses.

But it should be recognized that the majority of facts which today favor the cooperatives must obviously be worked out also in the state sector and in keeping with the letter and spirit of the USSR Law Governing a State Enterprise. This applies to the superiority of cooperative earnings over state earnings.

In reviving the economy, no change will take place in the nature of state ownership and bureaucratic growth, which not only is not responsible to it out to the contrary is in conflict with it, will be eliminated. The cooperatives themselves, particularly kolkhozes and consumer cooperatives, will be released from such excessiveness.

The draft Law on Cooperation has been greatly influenced by the Law Governing a State Enterprise. But it also goes farther. Today a reverse relationship is needed. The Law Governing State Enterprises should be "enriched" with radical statutes drawn from the draft Law on Cooperation. If this is not done, enterprises in the state sector will turn out to be insufficiently competitive.

A curious observation: bureaucratic obstacles are creating considerable income for cooperatives. This is not a paradox. The greater the number of prohibitions with regard to cooperation and the less it is developed, the



greater the monopolistic effect. Those who have already broken through to a place in the sun tend to rely upon monopolistic conditions. And here the first sharp cooperative associations trade not only in their own products but also on the basis of current accounts and intermediate functions with regard to non-registered cooperative associations. The profit is derived from everything that lies poorly.

The Law on Cooperation in the USSR eliminates the chief question: is cooperative activity to exist or not? It will exist! The prohibitions are removed. A requirement exists only for a document for registering the regulations in the executive committee of a rayon, municipal (or rayon in a city) soviet of peoples' deputies. Why is this necessary? In order to check upon the degree to which a newly developed cooperative conforms to existing legislation as it concerns production nomenclature, safety equipment, production hygiene and sanitation, fire safety, protection of natural resources and the environment and other, and also for viewing it as a taxpayer and for inclusion in the state statistics.

Moreover, the soviets of peoples' deputies and other state organs are obligated to assist those citizens who express a desire to create cooperatives. Assistance must be furnished in the form of information on the types of products, operations and services, for which there is a raised demand in a particular region or at a particular time.

It is said that the greater the number of cooperatives, the more acute the shortage: for example, cooperative associations buy up the coffee and before long it can no longer be procured. The same holds true for fabrics, thread and "lightning" fasteners. And what happens if such rapid growth in the demand for state products brings about a natural growth in their supply? Or there is a fantastic development: there is such an abundance of services that the prices for them are lowered to a level at which cooperative associations are unable to make a fortune from purchasing goods from the state. And this is not all. Today's shortages in raw materials and other materials can be overcome using the cooperative method. The cooperative associations take note of a shortage, sense the possibility of a good profit and then proceed to carry out the work themselves.

There are still some "advantages" of cooperation which are gradually being eliminated. Up until now, the cooperative associations have not made rental payments. State enterprises have also not been making such payments. However, the state has been gathering up the "surplus" profit of the latter enterprises. On the other hand, the cooperatives retain their profit. Thus a cooperative for providing housing to holiday guests on the shore of the Black Sea receives extra income not by virtue of its own work but rather from "God." The owners of fruitful private plots also realize profit. Thus the plans call for the introduction of rental payments for natural resources and this will eliminate such obvious

unfairness. But this does not affect the income derived from new capital investments in the best or average tracts of land or mineral mining areas within a given territory. Under the conditions of self-financing, this is all done by the labor collectives and thus the mentioned income must be retained by them. This is the plan.

In addition to rent, cooperative enterprises will also pay taxes. If this is not done, they will again enjoy a privilege denied to the state sector, where regulators are being introduced into operations. Cooperative associations pay taxes to a lesser degree than enterprises in the state sector.

Meanwhile, payments exacted from cooperation for fixed capital rented from state enterprises are usually oriented towards the amount of the amortization deductions. This lowers its value, which must also be reimbursed, and the payment for the funds, turned over to the budget by the lessor and a portion of the lessee's profit. If this is not done, the turning over of capital on a rental basis will not provide the owner with any profit.

The wholesale prices for state raw materials acquired by cooperation for the production of consumer goods or for providing domestic services for the population call for an increase in the special coefficients. Either that or they should be raised to the retail or contractual prices. Certainly, when the wholesale prices are lower than the retail prices, such a benefit must be compensated not only in conformity with the cheapening effect of the wholesale price but mainly as a result of the absence of a turnover tax. If we return to the wholesale and retail prices their true essence, then the acquisition of goods at wholesale prices will cease to be viewed as a gift.

It is incorrect to "overload" a cooperative ship and to place it under worse conditions compared to the state sector! State enterprises are serviced by the organs of Gosstab, while cooperatives purchase their equipment, instruments and materials from state enterprises. They must beg the latter for their above-plan products, they must procure their own local raw materials and collect and process their secondary resources. The future for all enterprises is wholesale trade in the means of production. But cooperative associations require such means at the present time. I believe that a portion of their logistical supply should ideally be supplied by Gosstab.

The plans call for a progressive tax to be imposed upon the personal income of members of cooperatives. In the state sector, there is a 13 percent tax on earnings which exceed 100 rubles monthly. The method of progressive taxation is fully justified and deserving of use in the state sector. But it is dangerous to be carried away by a steep progression; it could kill interest in work.

Cooperative inventive thought, which creates new goods and provides new services, is in need of protection. The unpaid borrowing of new developments of pioneer-cooperatives by other cooperatives or enterprises of the

state sector must be viewed as illegal—a type of “poaching.” And fines should be exacted from those who decline to purchase patents, with the amounts being turned over to those who sustained damage.

The totality of measures which serve to place cooperation and the state sector under equal starting conditions will ensure competition between them. This rivalry may be influenced by alliances of consumers as they strive to protect their interests in the formation of the assortment of goods, their quality, prices and in reimbursement for losses.

The winner in this competition will be that party that works more, better and in a more inventive and thrifty manner. The party that fulfills his obligations to his suppliers and consumers on schedule. And who sells his products more cheaply! The opinion that the cooperative trade is always more expensive has no basis in fact. Enterprises which inflate their prices lose their market and fall into bankruptcy. At best, their turnover slows down and their income decreases. Special importance is attached to the timely lowering of prices for goods which are no longer in style, for highly perishable food products and for large items stored in warehouses and trade facilities. Thus we have cooperatives at the present time which are lowering prices. For example, the Alina Footwear Cooperative in Armenia is selling women's slippers at a cheaper price than that found in state stores.

State enterprises are beginning to specialize in products the production of which requires large amounts of “capital.” They possess powerful technical and financial resources and are able to lower expenses and prices by means of mass production. Cooperative activity is gradually being concentrated in production operations which require considerable manual labor, the production of small-series goods and the manufacture of unique products. Thus it is appropriate for domestic services for the population, for the production of non-standard furniture, for the construction and repair of dachas, artistic trades, small forms of trade, public catering, hotel-boarding house and transport operations and for consultative, planning, design, legal, medical and other services.

It is effective in the sphere concerned with bringing production and the raw materials closer together, in the processing of fruit and vegetables and in delivering them in small batches directly from the fields to the store counters. Cooperation creates favorable conditions for the carrying out of production and simple scientific experiments, for the production of non-standard equipment and specialized rigging, for the operation of a united fund of houses, cottages, dachas and garages and for the joint purchasing and sale of products.

These limiting factors between the state and cooperative sectors are not absolute. They do not exclude a mutual economic competition between them on a general basis. Whoever is vanquished in this struggle will play the role

of a disturber of the peace, a catalytic agent for search and solutions. It is assumed that when each sector finds its place in the economic structure of society and when an optimum division of labor exists between them, then the earnings of workers at state enterprises will not only be on a par with the earnings of cooperative workers, but in addition a problem will arise that will be opposite to the modern problem. To be a business-like individual and master of oneself is both interesting and tempting and yet not everyone can do this. The “elements” are more threatening to a small cooperative boat than to a large state ship. A natural selection can lead to a certain average superiority in payments in the state sector. The possibility is not excluded that the mentioned forecast (similar to a majority of the forecasts generally) applies to the fate of failed cooperative workers. There are too many unknowns.

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7026

## EDUCATION

### **Economist Censures System of Educational Reform**

18280075a Moscow SMENA in Russian  
No 10, May 88 pp 2-3

[Interview by correspondent Valeriy Zenkov with Boris Ivanovich Isakov, Doctor of Economic Sciences and faculty head at the G. B. Plekhanov Moscow Economics Institute, on problems in restructuring the educational system, “The Value of Knowledge”; under the rubric, “What Young People Worry About”; source introduction precedes interview]

[Text] There are 57 million pupils and university students in our country today. It is precisely in the classrooms and auditoriums that today we are training and molding a new generation which, in the near future, will be left to continue and to develop the policies to accelerate and revitalize public education.

The February, 1988 CPSU Central Committee plenum noted that it is no simple matter to define all the specific paths which the revitalization of the educational system will take. Both the general public and, first and foremost, the specialists—teachers, instructors and scientists—must have their own decisive say in this. The resolutions of the plenum, in essence, have become a party political recommendation to the teaching profession and workers in higher and secondary vocational education.

Boris Isakov, faculty head of the G. B. Plekhanov Moscow Economics Institute, reflects on the problems of restructuring the educational system in an interview with our correspondent.

[Question] Boris Ivanovich, somehow we have become accustomed to the fact that in the USSR we have free universal compulsory education, a vast number of students, no illiteracy, highly qualified specialists, and powerful potential. Also, if we look at national statistics, we see many impressive numbers.

For example, in comparison to 1959 figures, the number of students has doubled, and one person in four working in the national economy has a university or secondary vocational education.

But I am also familiar with other data. In the leading countries of the world, the share of workers engaged in primarily intellectual pursuits is growing, comprising 55 percent in the USA and 48 percent in Japan, while we have about a 30 percent share of all workers. We are falling behind for no reason it appears. How do you explain this situation?

[Answer] Indeed, we are falling seriously behind. Why? Let us try to analyze it. In the 1950's, we were third in the world in the number of students and graduate students as a percentage of the overall national population. Our successes, like the flight of Yuriy Gagarin, peaceful exploitation of the atom, and the creation of lasers, not only perplexed but also shocked foreigners. How could a country possessing a lesser industrial and scientific potential than the USA have accomplished such an unbelievable jump? There was one simple conclusion: in the level of education, the Soviet Union was catching up to and, in individual areas, even outstripping the USA. Precisely for this reason, a real educational boom began then in the capitalist world. In America, for example, President John Kennedy reformed higher education. The pace of development of the third and fourth stages of education—that is, the university and graduate levels—doubled. Canada, Japan, and the countries of Western Europe followed this example. Educational expenditures rose significantly there and material resources improved swiftly.

But what was going on in our country? Beginning in the 1960's, acceptance of students into the day-school departments of the VUZes was stabilized. For this entire period, it was as if we were marching triumphantly in place. And this is the result: from third in the world, we had moved to the head of the fiftieth rank.

The matter was further complicated by the fact that lately, an avalanche of insoluble problems has accumulated in the training and use of specialists. In the VUZes, there was an unwarranted division of specialties and their number grew. This certainly cannot but affect the education and training of the people. In the institutes, in essence, there was no individual work with the students. The emphasis in lessons was on expanding the volume of material learned. The students were more overloaded and irreparable damage was inflicted on the development of independent, creative thinking. Many of the educational institutions broke away from industry and

their connections with academic and industrial branch institutions were weak. Young professionals turned out to be unprepared to create and exploit the technology of a new generation, to use modern means of automating technological processes, or to plan and conduct scientific experiments.

At one time, the academician S. G. Strumilin made the interesting calculation that, for improving production efficiency and scientific and technological potential, the educational system guarantees a contribution of up to 20-30 percent toward the growth of national income in the later stages of socialism. Lately, this contribution has risen to 40 percent. Now, according to the calculations of our institute's statistics faculty, it is more than half.

In the 1970's and 80's, many countries forcefully began to develop their educational systems and the training and retraining of their labor forces. Today, it is clearer than ever before that a more educated population is the greatest degree of preparation of a springboard for development of national science, technology and economics. But of all the elements of social expression, which include science, technology, economics, science and education, it is education that is the least dynamic. It is even becoming a restraining link in the entire national socio-economic complex. It is self evident that a poorly trained labor force is incapable of aggressively carrying out scientific and technological policy or of rapidly developing economic and social spheres.

Right now, two thirds of the jobs which require a university education are held by people with secondary or secondary vocational education. This means that millions of people in all links of the national economy make billions of incompetent, or sometimes simply ignorant, decisions. But what of the level of education by region? It is uneven. There are not enough qualified specialists in the Central Asian republics. In the Transcaucasus, especially in Georgia, there is a severe drought of workers with university education. The differentiation of guarantees of higher education among nationalities is growing. All these facts tell us that the present system for training the labor force is not sufficiently flexible in taking into account the requirements of the national economy.

Hundreds of thousands of degreed specialists labor in the work place and operate complicated equipment. One might think this a waste of education but, on the contrary, this is the seed of the future! As paradoxical as this appears, the nation needs workers and kolkhoz workers with a higher education; even housewives, who will be significantly better, more competent, at preparing their children for life. This should be considered.

[Question] Ultimately, we must raise secondary and professional education to the proper level in order to overcome the lag in developing the universities. Let us



consider school reform. More than three years have passed since it was adopted, but with what kind of progress? In the country today, in essence, it is being discussed repeatedly.

[Answer] This is true. Let us look, for example, at how class time is allocated. Forty five percent is allotted to the humanities, 30 percent to mathematics and sciences, and the remainder to aesthetic subjects, physical education, and work. The rest of the world allots two thirds of class time to the humanities and one third to mathematics and sciences. The multifariousness of our schools and the general and specific disciplines overload the students. Furthermore, at what age do you think they begin to introduce school children to computers abroad? At 11 or 12! But here? In the senior classes! As you see, there are many more issues. Take, for example, students' labor education and their preparation for future study and work. It seems to me that it would be useful to introduce a "work quarter" for all school children. We remember the experience of Makarenko. His pupils both learned well and worked passionately. Was it not because they took their work seriously, like adults? Why are we afraid that our children will work too hard?

We must also consider the fact that the children of today demand special attention. This is the most important problem, and one about which we prefer not to speak. Here are a few facts. Right now, about 8 percent of the children in Moscow are registered officially as oligophrenics (oligophrenia is mental retardation). In fact, the number is much greater. Among Muscovites born around the beginning of the 1970's, the number of infirm children—that is, those who are ill or predisposed to illness, reaches 55 percent; but among children born at the beginning of 1980's, the share jumped to 70-75 percent. In fact, only 25-30 percent of the children are completely healthy! According to official figures, 53 percent of the nation's school children are infirm. Last year, about 4.8 million kids started first grade; about one million of them are oligophrenic.

I think that, first of all, we must improve the quality of training in professional and technical institutions [PTU] so that graduates are no less knowledgeable than graduates of the technical schools. Up until recently, we trained "PTU-ers" in 1600 professions. We actually graduated unqualified specialists and limited specialized operators. Now we are training only in about 500 primary professions. I am talking about training of a broad section of the labor force.

In the past, the needs of the national economy were not considered when admitting candidates to a PTU. In many republics, about one third of the graduates were unable to find work in their specialties. Now the situation is changing, and enterprises sign contracts for the training of workers. But for the present, the problems of the geographical distribution of the PTU network and guaranteeing instructors for them remain severe.

Extending student acceptance into PTUs must be examined as a temporary, necessary maneuver. It will alleviate the immediate, severe shortage of workers in the national economy; and there is a shortage of workers in those places which have inefficient and antiquated equipment. We have a historical choice: either place lesser educated PTU graduates at the machines or swiftly reconstruct outdated work places. It is clear that the first choice condemns us to falling behind in the future, the second guarantees a powerful leap forward. But still we must push youth toward higher education. That is precisely the path, by the way, which the technologically advanced countries of the world take.

[Question] Some sociologists and economists, however, argue precisely for sending up to 80 percent of young people to PTUs.

[Answer] What is more important, a workers hands or the creative thinking of a specialist? Obviously, both are important, but in the right proportion as dictated by a nation's level of development and its production forces and industrial considerations. As national and worldwide statistics show, the line of "demarcation" for deciding where to send young people gradually shifts in favor of the training of specialists in VUZes. It cannot be otherwise in the era of NTR [scientific and technical work]. Incidentally, I notice that, for some reason, the more active "agitators" pushing young people toward the PTU, send their own children to an institute, and then even to graduate school.

If you compare the students of today with those of the 60's, for example, you could say that the "60's generation" was more inquisitive and more active, and learned more easily, especially those subjects which require logical thinking. They discussed things more freely and worried more about scientific and social issues. But now there are fewer and fewer students whose eyes sparkle with inquisitiveness; on the contrary, we more often encounter dimmed eyes.

[Question] It is evident that there are many problems and thus, not only must we improve the quality of university and secondary special education, but we also must extend their willing acceptance of young people. It has come to the point where higher education must become universal and more flexible and easily revived. Basic knowledge must be combined with practical skills. That is, our task is to break away from mass general instruction and develop the creative abilities of future specialists. But how do we do this?

[Answer] First of all, we must use such active forms of instruction as seminars, practical lessons, discussions, and simulation of practical industrial situations. I think this will help the development of analytic, creative thinking and student participation in scientific research, planning and technological design work. Unity and continuity in all work groups, the democratization of

instruction, and communication between science and industry must become the main principles for development of a system for educating and training the labor force.

Incidentally, accelerated development of higher schools is a very effective additional social instrument for eliminating drunkenness, alcoholism, toxic substance abuse, drug addiction, and criminal behavior since it exposes the despondency and poor intellectual life with its brutish and primitive needs.

One would think that it makes sense to expand the network of universities. Each oblast with a population of not less than 1.5 to 2 million people should have its own university. This allows us to bring university education closer to the people of each oblast. The proposed expansion of the university network is not excessive, as it might seem to some, or a measure which outstrips historical necessity. Right now, we have roughly one university for every five million residents; the USA has one for each million.

[Question] Boris Ivanovich, there are, after all, also those who advocate reducing the number of universities. They contend, as an example, that there is a problem now with getting highly qualified instructors.

[Answer] As the history of all universities illustrates, they experienced the unavoidable growing pains. They "limped along" under the shortage of personnel during two to three generations of instructors. In the era of NTR, we can curtail this "personnel limping" period. Universities are accelerators of industrial force growth. History also tells us this. The universities of Victorian England, for instance, helped it become a world leader in industry and trade. And the accelerated establishment of universities in the U. S. allowed it to take the lead from England by the end of the 19th Century. This conformity to natural law was noted already by Vladimir Ivanovich Vernadskiy in his own time. Just why do we refuse stubbornly to pay heed to historical truth?

We also must expand plans for acceptance of students in the day-school departments of the VUZes. This is true especially for training in such specialties as economics and management, engineering economics, and new engineering and technical specialties connected with micro-electronics, computer equipment, automated control systems [ASU], informatics, robotics, lasers, powder metallurgy, flexible automated production equipment, and ecology. Training in the pedagogical specialties must have special status. This is connected with the implementation of reforms in general educational and professional schools.

[Question] No doubt, it will be impossible to restructure the educational system without resolving financial and organizational problems...

[Answer] Are you thinking about the conversion of the VUZes to economic accountability and self-financing? This is the most important issue today, and it is not clear now how to resolve it. We do not yet have a well thought out strategy, worked out in detail, for restructuring the higher schools. We have only general propositions reflected in party and government resolutions. They await our own further development and refinement. Documents which have been adopted, for instance, envision reimbursing VUZes for expenditures to train specialists. That is, an enterprise or industrial branch of the national economy which has contracted with a VUZ for the training of a specialist will pay for his training. The institute "sells" its own product so to speak—the young specialist. The adopted documents stipulate his "price"—3000 rubles. The VUZ itself still must acquire new equipment and computers, develop a resource base, and construct classrooms, dormitories, sports complexes, etc. And as a result, the training of a specialist will require not just 9000 rubles but 11-12 thousand, perhaps even more. Under such circumstances, the economic accountability of the VUZ falls flat.

As we can see, we are not yet ready to convert the higher schools to full economic accountability and self-financing immediately. First of all, this would yield a situation rather like if part of the traffic were to drive on the left side of the road while most continued to drive on the usual right-hand side. In this case, it would be difficult to avoid an accident. But what is the way out? Conversion of the VUZes to full economic accountability and perfection of the management system must be synchronized. As for subsidizing the training of specialists, in the beginning payment could come from the budget of the State Committee for Education or the budgets of the ministerial customers by whose order the specialists are being trained. Without this condition, it would be difficult to improve the university's resource base which is already so wretched, at least it in no way compares to that of leading in the U. S., Japan, and Western Europe. In these countries in 1986, expenditures on education were about 7 or 8 percent of gross national product. In the prewar period and the first postwar years, we spent 7-9 percent of our gross national product on education. By the middle of the 1960's, this share had dropped to 6-7 percent, and by the beginning of the 80's, it had fallen to 4.2 percent. Today it remains at practically that same level. We must raise expenditures for education two- or threefold immediately, without delay.

The restructuring of universities also hinders outdated thinking and the rigidity of some economic dogma. It's high time we acknowledged and much has been said and written about this—that university instructors, not unlike scientific workers, writers, poets, composers and journalists, and just like workers, create worth, an additional pure product. This is providing of course that their labor gets public recognition. Knowledge and information have their own value and cost, and return their own profit which. This view, however, up until now, did not

receive official or legislative recognition. Is this not why, in the eyes of GOSPLAN and MINFIN, the university is still a kind of "parasite" as if it were hanging on the neck of material production. Here lies the paradox: instead of 11-12 thousand rubles for the training of a specialist, only 3000 is allocated; and they say this is a lot. But are not the actual expenditures of the university really declining? Of course not, but we cannot give up the rigid economic stereotypes right now. Yet while they exist, there is practically no opportunity to develop new ways to calculate both value and cost, and profit which, under economic accountability, promotes the building of financial relationships between industrial branches of the national economy and universities. Why not adopt the principle of economic accountability in mutual relations within the entire educational complex—the school, the professional and technical institute (PTU), the university and the industrial branch? Why not, for example, have enterprises, organizations and institutions pay yearly for each employed worker ten percent of standard net output into a special fund for education? This payment will allow us to convert education from budget financing to economic accountability. The introduction of such a measure will permit us to start up a new financial mechanism to stimulate all enterprises, institutions, and organizations toward labor productivity growth and deliverance from ineffectively employed workers, and to accelerate construction of kindergartens, schools, PTUs, technical schools, and universities. Incidentally, we have already envisioned such a measure by creating an organizational economic mechanism for cooperation between the university and the industrial branches of the national economy, the basis of which is special purpose training and retraining of personnel by agreement, with partial reimbursement of expenditures for these purposes coming at the expense of the material production branch.

We also have a lot more to do yet in organizing the learning process and we must put some order in the disciplines and the time allotted to their teaching. This is especially true of the primary or, as we say, basic disciplines, without which the training of specialists is inconceivable and the reasons for it are incomprehensible. For example, under economic accountability and self-financing, the role of a subject like statistics increases sharply. Nevertheless, over the past few years, this subject has been avoided and cut in half or by a factor of three in many VUZes. Yet statistics are the most important weapon in understanding economic reality. Even V. I. Lenin spoke about this. But what do we do? We take this weapon of understanding from the hand of young specialists. Similar things are happening also with other subjects. I have no doubt that my teaching colleagues can cite more than a few examples of this type.

You see how many problems we have shown you; Each more serious than the other? Even if they wanted to, the enlightened ministries of education are a long way from always being able to solve these problems. But why? Lack of coordination, disconnects and lack of resources have had a telling effect, and even those resources which we do have are distributed irrationally, without maximum benefit for the cause. The State Committee for Education must resolve the problems of education in comprehensive way.

[Question] Boris Ivanovich, the education which we receive in our youth is only a base which needs constant replenishment. Knowledge gained becomes outdated and less valuable over the passing years. It must constantly be revitalized. In what way can this be done?

[Answer] Right now, the current system for retraining the labor force allows us to raise qualifications no more frequently than once every 10-12 years. Of course, this is not the point. We need a complete system for improving the qualifications of workers and for their periodic retraining—a system of continuous education. If we look at the experience abroad, we see that large firms have acquired their own personnel training and retraining systems. They even have special learning institutions and staff instructors. In the leading industrial branches, more than 80 percent of the supervisors, specialists and workers undergo retraining each year.

The pace of the system for improving qualifications is picking up in our country though. There are specific conditions for this: material resources, good instructors, and good experience in methodology. But today it is not enough just to raise professional qualifications. Every man has to have the opportunity to improve his general educational and cultural levels. Continuous education is the only way to meet this goal. What is the essence of this? After starting at an early age, education must accompany a person his entire life and, as if he were climbing a mountain, must guide his progress. Each of us must have the opportunity to acquire new knowledge and skills at any time. I should say that the elements of continuous education are there. These are the courses and institutions for improving qualifications. But it is too early to say that such education has already taken shape. Right now, there are significantly more questions than answers. But it seems to me that the main thing is to recognize the necessity for continuous education. It is the only thing which can accelerate the intellectual development of the population. It is already clear today that it is difficult to imagine education in the near future without such a system.

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13254



## ORGANIZATION, PLANNING, MANAGEMENT

### Changeover to Multishift Use of Machinetools Hindered

18230052 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 16 Jun 88 p 2

[Article by V. Solovyev, manager of a USSR People's Control Committee sector, and A. Novikov, USSR People's Control Committee inspector: "Why the Machinetools Are Silent"; first three paragraphs are SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] The CPSU Central Committee Theses correctly point out that the bureaucratic positions of a number of ministries, departments and economic agencies are paralyzing to a significant degree the measures to implement the economic reforms.

One does not have far to go for examples. Two years ago when Leningraders seriously undertook the problem of using equipment more rationally, it seemed that tens and hundreds of thousands of the most modern machinetools would finally work as they should—at full strength. We would receive a considerable economic gain without any additional expenditures. We were talking about the transfer of the machinetool park to two- and three-shift operations. All production workers voted for it and approved the initiative—but after a year, the shift factor had increased only by four-hundredths of a percent.

What was the reason for the breakdown? The USSR People's Control Committee took an interest in this question. The progressive machine building branch—the USSR Ministry of Instrument Making, Automation Equipment, and Control Systems—became an object of study.

According to all "classical" canons, preparations for the transition to two- and three-shift operating conditions began in the branch during the middle of 1986: The appropriate orders were issued, measures were developed, commissions were established, interconnected meetings were conducted, and the officials responsible for implementing the adopted decisions were determined. As subsequent events showed, however, there is indeed an enormous distance—as they say—from the birth of an idea to its realization.

The Moscow Temp Association, on which the ministry had imposed the functions of head organization in this work, did not have at its disposal reliable information about the state of affairs in the local areas even after 1986. Generally speaking, it gave up working on this question in 1987. D. Paramonov, at the time a deputy minister, was unaware of this although he had been entrusted with monitoring the ministry's orders. The consequence of the neglect was complete stagnation and desolation. Worker shifts remained at the 1985 level,

and the shift coefficient for the operation of the equipment did not even reach a whole number in one out of four enterprises. The enterprises themselves cited these data. The results of an inspection showed that many directors had clearly embroidered the data. In the Smolensk Iskra Production Association, for example, the shift factor of the equipment was 1.55 according to the documents. In fact, it was twofold less. It was raised in the Krasnodar ZIP (Measuring Instrument Plant) Production Association and in many other enterprises.

As the inspection showed, the ministry is not particularly troubling itself with the problem of improving efficiency in the use of fixed capital. The production capacities of associations and enterprises during 1987 and 1988 were determined based on the operating of unique and high-efficiency equipment under two-shift conditions and not under three- and four-shift ones. This means that an opportunity to set the production capabilities of the branch too low and insure a quiet life, presented itself. Calculations by the Leningrad and Orlov institutes of Gipropribor [State Institute for Designing Instrument Making Plants] have shown that the capacities of only 18 enterprises could be increased by almost 120 million rubles if a transition to three-shift work conditions occurred in the main high-efficiency equipment shops.

Alas, however, a significant part of the enterprises are counting on the extensive path of development and are continuing to increase the equipment pool instead of increasing the load on the existing one and removing obsolete and worn out equipment from operations. Last year, the Lvovpribor Production Association removed 46 units of equipment and recently installed—80. The cost of producer goods has grown in all inspected associations and enterprises, and the return on investment and use factor of production capacities decreased in 13 of them. As a result, for every branch machinetool operator working on one shift, there were ... two machinetools.

Such was the result of this thoughtless and irresponsible management and the desire to rake a "black" day in the computations a little more under the carpet! The main thing is that the branch directors forgot about the individual and about improving the organization of production and the worker's work position. This also has become a serious obstacle to the transition to multishift operating conditions. For example, the Smolensk Iskra Production Association did not make any technical and economic computations of shop and section work indicators under the new conditions, it did not increase the number of through-put and integrated brigades, and it did not take steps to transfer shops, sections and brigades to complete cost accounting. The same situation exists in the Saransk Medical Equipment Plant and a number of others.

Such were the regrettable results of the ministry's paper and bureaucratic efforts. Not these but a realistic knowledge of the situation and concrete actions are needed.

08802

**Production, Cost Problems at Italian-Built Plant Discussed**

18230057a Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 23 Jun 88 p 1

[Article by V. Zenkovskiy, SOTSIALISTICHESKAYA INDUSTRIYA correspondent: "A New Plant's Anxieties"; first paragraph in boldface is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] Three years ago there was a vacant lot here on the outskirts of Sumy. And this past Saturday representatives of the Italian Danieli Firm turned over to their customer a brand-new plant for making heavyweight drilling pipes. As the specialists affirm, there is nothing like this plant in the entire world.

It operates in a non-stop, closed cycle. It includes the following three production facilities: steel casting, forging and heat treatment, and machining. They are all under a single roof and are interconnected by transport arteries. The engineering processes are almost completely automated. They are controlled, like the entire plant, by computers. The production lines generate no waste products.

This high degree of production automation prompted a new structure of labor organization. Here there are no chiefs of shops, shifts, sections, nor even foremen. But there are appropriately leading specialists, first-and second-rank technologists. They perform the functions of production-process organizers.

The level of standards and the working conditions at this plant are so high that ideas are changing about an entire range of occupations. The heat-treatment section has neither the usual heat nor excessive gas. The control-panel operator's booth is equipped with an air-conditioner and has a splendid view of the entire surroundings.

But it was not only delight that I had occasion to hear from the specialists of this enterprise. I. Prokhnenko, chief of the technical division, did not conceal his concern: How will we operate when the foreign firms stop supplying materials and hard-alloy tools, as well as spare parts for the hydraulic and electronic equipment?

Questions are likewise surfacing about the economic aspects of this enterprise. This very expensive plant has become a component of the nationally known Sumy Machine-Building NPO [Scientific Production Organization] imeni Frunze. The Sumy specialists cited such figures as the following: the payment for the new enterprise's producer goods alone will amount to tens of millions of rubles every year. But the profitability of its products will be meager. What kind of cost accounting is this? That is, there is an obvious discrepancy between

the interests of the state and those of the collective. I mentioned all these questions and doubts in an interview with V. Lukyanenko, minister for chemical and petroleum machinebuilding.

"It must not be forgotten that the plant was built on the highest engineering level," Vladimir Matveyevich said. "And, naturally, it was expensive. It is the collective's task to make it profitable. I'm confident that there are large reserves here. As much as 40 percent of its output will be exported, and so there can be no problem with hard currency. The collective itself will be able to establish contacts and ties with foreign customers and go out into the world market itself. More energy and an entrepreneurial spirit are needed. And, of course, the ministry is prepared to assist."

The minister spoke convincingly. But here's something to think about. The economic indicators of this progressive association, which has shouldered the burden of an expensive plant, are declining. How will the ministry act in this situation? Time will tell. And we will not have to wait long. The plan for the new plant's fourth quarter has already been issued.

2384

**Tool-Building Official Discusses His Association's Successes, Future Plans**

18230057b Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA, in Russian 28 Jun 88 p 1

[Interview with N. Chirkirev, general director of the Stankoliniya NPO [Scientific Production Association], Hero of Socialist Labor, by SOTSIALISTICHESKAYA INDUSTRIYA correspondents; Moscow; date not given; first paragraph is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] The delegates to the 19th All-Union CPSU Conference, experienced party fighters, are in the thick of people and events, in the vanguard of the struggle for perestroika. Our correspondents asked some of them to answer the following questions:

1. How have the first three years of perestroika been reflected in your life and the life of your collective?
2. What problems, in your opinion, require top-priority solutions?

1. Well, it so happened that the collective of our association, the Machine Tool-Building Plant imeni Sergo Ordzhonikidze, was already at the epicenter of the events connected with perestroika in one of the basic sectors of industry—machine tool building. As you know, the 27th Party Congress worked out a broad-based program for developing this sector. Its principal goal is to outfit industry with up-to-date machine-tool equipment which is by no means inferior to its foreign counterparts, and subsequently to make an extensive breakthrough out

onto the world market. It was precisely these ideas which prompted the establishment of the joint enterprise known as "Khomatek," based on our association and the West German firm of Heinemann.

In 1988 this new enterprise will supply the market with 20, and next year 25, of the most modern machine tools meeting world requirements. It could be said that our new firm is still in the emerging stage, but progress is already evident. It's not by accident that this year Khomatek's Engineering Center was awarded the prize of the European Center for Applied Economics (Switzerland) for initiatives directed toward long-term future prospects for winning markets in the East and in the West.

It likewise should be mentioned that very early this year an association of industrial leaders from the USSR and the FRG was formed, and I was elected its president. From the Soviet side it includes the directors of our country's largest machinebuilding enterprises—the ZIL [Zavod imeni Lenin], Uralmash, and others.

In connection with the reorganization of the administration system and the elimination of the glavks [main administrations]—superfluous intermediate units—in the ministry, the Stankolimpiya Scientific Production Association was formed. It combined 16 of this country's machine tool-building plants and 8 design bureaus. Our association became its base, and I was elected its general director. Specifically elected rather than appointed. Voting took place in each collective separately and then at a general meeting of representatives.

The association's goal is to concentrate the designers' efforts, to direct the technical policy along the most effective channel, to standardize and normalize assembly-units and parts as much as possible, and to create on their foundation new generations of aggregate machine tools and automated lines. And all this to be done with a sharp reduction of personnel, especially in the administrative staffs. In essence, a high-capacity machine tool-building concern has been created, which in the hopefully not-too-distant future will be able to compete with the largest Western firms in the world market.

But that's in the future. And, meanwhile, we are busily engaged in organizational matters: we are setting up councils of chief engineers, technologists, economists, financial specialists, and designers. They will develop a strategy and tactics; and they will supply the directors' council with ideas and suggestions.

Like any beginning, the new firm is being born in the torments of creativity. One of the problems with which we are still struggling without any results so far is that of increasing the reliability of our machine tools and automated lines. As practical experience has shown, our Western partners have no complaints against our mechanical engineering, but they are not pleased at all with the quality of our electronic assemblies. The latter

have lagged far behind their foreign counterparts; they are complicated and unreliable in operation. But the Ministry of Instrument Making, Automation Equipment, and Control Systems has not taken any sensible course and seems powerless to suggest anything to us. In this matter alone we've lost a great deal. And not just currency, but also our own prestige.

2. At the conference we need very much to talk about creating a system of responsibility for working out administrative decisions. In recent years a great deal has been said about it, but in real life irresponsibility is flourishing on several levels. If, for example, a plant has not fulfilled its plan, then it's the director who is called up on the carpet first of all. Nobody bothers to figure out that the ministry frequently launches an unrealistic plan, one which has not been ensured of obtaining either manpower or material resources. And so it's the director who should show a "socialist entrepreneurial spirit," and extricate himself from this jam, while the creators of these plans stand on the sidelines without being held accountable at all. And what can be said about a plant if we have large-scale national-economic plans in the implementation of which billions of rubles have been invested, and they turn out to be invalid. One never hears that a certain person has been found answerable for thoughtlessly squandering state funds. Nowadays a great deal is being said and written about democratizing our entire life. But it has nothing to do with an all-forgiving attitude, slackness, and a lack of discipline. Democracy accords not only rights, but also imposes certain obligations. Above all, responsibility for one's own decisions and actions.

2384

#### **Machine Tool Plants Reject Cooperation With Ivanovo Association**

18230058 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 6 Jul 88 p 2

[Article by I. Klimenko: "Made by the ISPO [Ivanovo Machine-Tool Production Association]"; first paragraph in boldface italics is quotation from speech by V. Kabaidze, ISPO general director, at the 19th Party Conference]

[Text] "...We must study, look around, and see how others are working. Just look at how all production is organized in our country: it's constructed on a primitive level everywhere, on the principle of a physical type of economy."

For the third five-year plan in a row now the Ivanovo people have been confidently competing with the world's best machine-tool building firms. By the concept "Made by the ISPO" we mean not only the renowned Ivanovo machine tools, but also the people who make this unique equipment. Kabaidze has, so to speak, achieved through suffering the idea of cooperation, which is the only thing that allows this equipment to remain competitive. Throughout all these years he has tried to break a path



for it in our own Ministry of the Machine-Tool and Tool Building Industry. So far without success. And it was for this reason too that he brought it up on the rostrum of the party forum. Not only the ideas, but also the advanced technologies developed by the Ivanovo people have been rejected. Why? That is the subject of our present journalistic study. The initial material is from Ivanovo.

#### A "Landing Party" in Search of Experience

Up to about five years ago people used to travel to the ISPO mainly on excursions. Now they go there more and more often for working purposes. On one occasion the off-site session of the USSR Council of Ministers Bureau for Machine Building was held here. In September 1986 the directors of machine-tool-building enterprises assembled in Ivanovo from all over the Soviet Union. The Collegium of the USSR Ministry of the Machine-Tool and Tool Building Industry arrived here in its full complement from the capital. On the first day the members of this mass "landing party" familiarized themselves with the production facilities, and on the second day held a frank discussion in the ISPO conference hall concerning the state of affairs in this sector.

This discussion signified a great deal. And for many people. Above all, it signified a precise concept of the Ivanovo people. ("We need designs," V. Kabaizde stated challengingly. "These days we can take chances because the boldest, I'd even say impudent, suggestions are being adopted. We must revise our whole system of values. We must adopt a course of cooperation. Success is determined not by flexible lines, but by flexibility of thought.")

This discussion also signified the complete invalidity of this sector's science. ("For me to speak after Kabaizde is just like an amateur performer coming on stage after Pugacheva," G. Smolko, the sector's chief designer for NC systems said without a trace of embarrassment by way of justifying himself to the assembled guests. And he was precisely correct in his self-denigration.)

And this discussion likewise signified the dependent parasitism of enterprise directors. ("How can I make my complex flexible? Where can I get the mathematics? Where can I obtain stackers? How can I retrain people?"—such questions flew through the hall one after another.)

"And how did Kabaizde accomplish this some time ago on his own?," the minister at last interrupted one of the routine questioners. "I used to tell you all to go to Ivanovo in order to gain experience. And who went? Nobody! About 20 assembly-units which everyone needs have still not been distributed independently. Each person has his own self-loving ambition. Intellect is deteriorating, but we continue to store up our own things; who should be subordinate to whom? And on the rostrum we

obstinately cover up our own small pieces of turf with a jacket.... But we all wear the same uniforms—we're all soldiers of the party! Not by percentage points, but many times over!"

I won't conceal the fact that I was very impressed at that time by the stance taken by N. Panichev, the new minister. His assertive energy and optimism, the imagery and clarity of his speech, and, above all, the impression of competence which he conveyed were likeable. The minister had mastered the information. He operated easily and freely with facts and figures. An impression was formed that in the complicated situation which had emerged in this sector the minister was fully in control. It was believed that from then on the course which had been laid by the flagship would become the general course for the entire sectorial armada. It was believed that Panichev, in contrast to his predecessor, would be able not merely to command, but also to steer the machine-tool building armada which had been entrusted to him.

He reinforced this belief in the detailed, ministerial order which he issued as a result of this off-site collegium. Everything in it was written out and described in the minutest detail—from personal names to units, from brands to deadlines. "Assignments with Regard to Creating Entities," "Assignments with Regard to Production...." The minister accomplished what the directors were unable to do independently: he distributed, using his own words, "about 20 assembly-units which everybody needs." And, inasmuch as a minister's rights and possibilities are considerably greater than those of directors, he distributed the production not only of standardized units and complete sets, but also machining centers and flexible modules.... In short, everything that determines the technical level of machine-tool building.

That order had been well-cut and tailored to fit. According to the best ministerial criteria. Even V. Kabaizde, who is chary in his praise, called it "the sectorial program document for the 12th Five-Year Plan, which is of determining importance in the cause of accelerating scientific and technical progress in machine building."

Both the course taken by the discussion of the problems at the off-site collegium and the tone of the resulting document attested to the fact that the minister intended to cut short the "deterioration of intellect." That he intended to regroup the sector's scientific and production forces and mobilize them for acceleration. Cooperation was to become the catalyst of this acceleration.

For the Ivanovo people cooperation has long played the role of a unique set of underwater wings by means of which they have broken out of the pack and gone on quite far ahead.

"The whole world works on a cooperative basis. We're the only ones who are dragging along our physical type of economy. At every plant, in each sector, and in the state as a whole. It's really absurdly barbaric! A kind of Stone Age in industry! I've called this to people's attention for many years and from many rostrums! They all applaud and...nothing gets done!"

V. Kabaizde was excited and vexed. We were sitting in his office and recalling that memorable collegium and the discussion of the state of affairs in machine-tool building.

"Remember how I informed them at that collegium that we were planning a woodworking center?" Vladimir Pavlovich reminded me. Afterwards I stated in Moscow on several occasions that we already had the design, and that what we needed were partners. Do you think that anyone responded? But, after all, this sector does have a specialized glavk [main administration], [which was recently transformed into the Drevmash NPO, two institutes, and about 20 plants. But what do they pursue? Saw frames, planes,.... I phoned Cheburakov, the chief of this glavk, about five times—but he didn't consent to come down here. At last, in order to disengage myself, I gave the team involved to the director of the Dnepropetrovsk Woodworking Machine-Tool Plant. But he sent me...conditions on which he, you see, would agree to become our partner.... But I don't need any favors...."

And so you see how things have turned out! When other departments heard about the woodworking center, they practically wore out the Ivanov Association's thresholds, but the people from our own machine-tool building industry give the ISPO a wide berth.

The situation is literally the same with regard to all the Ivanovo innovations. You'll agree that there is a problem here! We'll try to analyze it, but somewhat later. Meanwhile, let's analyze the execution of that program contained in the minister's order.

#### Unfinished Business

The expression "unfinished business" is more commonly interpreted as applying to a number of construction terms: although, if you think about it more deeply, the meaning of this expression may be seen to be much broader. An unfinished project is not merely an incompletely built school. A machine tool which has been thoroughly planned but not embodied in metal, as well as an order which has been drawn up but not implemented also belong to this same category.

The minister's Order No 508, "On Measures to Increase..." (a routine order concerning routine measures), although it's still somewhat early to put it on the graph of unfinished business, has increasingly good, genuine prospects for being included there.

"There's nothing unexpected in that," asserted S. Gurychev, ISPO's chief designer. "Cooperation imposed from above is non-viable. Every prior to this there were many orders. They all detailed such instructions as the following: this does that, and so-and-so produces such-and-such. But the results have not yet amounted to anything. The matter is not making any progress. Throughout the world the production of complete sets is an object of pride. But in our country everyone contrives merely his own machine tool! Maybe it's a poor one, but it's mine! And take individual assembly units, for example.... A million designs for basically the same shaft! Everyone keeps inventing the bicycle over and over again.... And don't even mention spare parts; each plant has a gear section, and they're as necessary, as they say, as a string-type shopping bag for a month...."

Things became painful for the Ivanovo people! Whomever you might interview, the subject would unfailingly get around to cooperation. When you haven't traveled about the world much, you don't get to know much, and you have experienced less. They haven't tormented themselves with questions, nor have they riveted universal machine tools.... Kabaizde put an end to universal jerry-built units. First he led the collective up to a new technical level. Then he raised production organization to the new level—joint assembly, testing stands, intra-plant cooperation.

For him, the next stage represented cooperation within the sector. He had a vision of a leader-plant, creating world-level equipment and of it at the head of several enterprises, circulating products at this same world level. Moreover the circulating units would certainly be based on mutually cooperative cooperation and specialization. Kabaizde took the appropriate proposal to the previous minister. The latter did not accept the proposal. But practical life required a manifold increase in the production of the Ivanovo-type machining centers. This requirement could not be dismissed in a cavalier fashion. And it was then that the Ministry of the Machine-Tool and Tool Building Industry, believing in the sacred and universal power of ministerial orders, ordered the production of some OTs's [machining centers] to be set up in Lvov and others in Sierlitamak. Set up with the help of the Ivanovo people: with their engineering drawings and their technology. A few years have gone by since that time. The cardboard file-folders have bulged with correspondence, but there are still no machine tools.

The fate of the IR-320 Ivanovo center, which has been displayed at many international exhibits, is a lamentable result of cooperation ministerial style. The directors of the Lvov Milling-Machine Plant rejected the innovations, to put it one way, "hand and foot." As a result, this machining center is not being produced at all under the Ministry of the Machine-Tool and Tool-Building Industry. But machine builders need this machine tool! And, by using the Ivanovo drawings with the help of the Ivanovo people, they have succeeding in mastering its production at their own plants. Now there's something to think about!

Concern about the sector's lack of genuine partnership was sounded at the afore-mentioned collegium.

"We've established firm ties with dozens of enterprises from other sectors," Kabaizde said wittily, "but we cannot establish any kinds of business-like connections with our own."

This concern was also reflected in the order. Therein the ministry described who could enter into a partnership with whom. But, you know, it's not said in vain that there can be no such thing as force in matters of love. In particular, the ministry imposed a friendship between the Ivanovo people and the Krasnoyarskiy Machine-Tool Building Plant, which is located in Voroshilovgrad Oblast. Moreover, it was not a matter of friendship at all. It was simply that the ministry did not classify the Krasnoyarskiy Plant with the manufacturers. That's a case of motivation for you.... But they did assign the enterprise the task of supplying the sector with transmission units for machining centers. The first 700 units are supposed to be delivered already during the present year. But inasmuch as the design has already been used up long ago at the ISPO, the Ivanovo people were also charged with the task of doing all the paper work, that is to say, the technical specifications. The ISPO specialists have completed their phase: the drawings were sent off at the beginning of April 1987. In the accompanying letter Yu. Maslovskiy, the association's chief engineer, emphasized that it would be simplest to resolve any possible difficulties in Ivanovo "with competent representatives of your enterprise." That is, come and see how these very units are made by our skilled people. A person with initiative, one who thinks quickly, would immediately seize upon this possibility, to visit the ISPO. If he could not go in person, he could, at least, send his "competent representatives, to be outfitted along the way—at the ISPO there is something to see and something to study.

D. Churbakov, the Krasnoyarskiy director, chose another path. With a persistence worthy of a better application he has bombarded the ISPO directors and ministry officials with telegrams with something like the following: "I insist that the ISPO representatives come here in order to solve problems connected with making the transmission units." To put it more briefly, those very same ambitions which the minister mentioned a year and a half ago still remain in force among the machine-tool plant directors.

#### **Practical, Businesslike People**

The Ivanovo people react to the sound of Churbakov's name as if they had a toothache. Their faces light up, however, at the mention of the name Khodorchenko! Aleksandr Grigoryevich heads up a plant in Cheboksary. This enterprise comes under another ministry—the Ministry of Tractor and Agricultural Machine Building. Khodorchenko came to see Kabaizde on his own. He himself asked to become a partner. On his own impulse

he undertook to master the manufacture of the Ivanovo OTs [machining center] shaft at his own plant. At first something went wrong in the technology. He came to Ivanovo with a brigade of workers: Give us any shift; just let us learn how to do this work. Even about himself he did not hesitate to say: I want to learn how to do this work!

Kabaizde's features light up when someone mentions the names of Nikolay Andreyevich Pugin, the former general director of the GAZ [Gorkiy Motor-Vehicle Plant] and presently USSR minister of the automotive industry, and Valeriy Timofeyevich Saykin, former general director of the ZIL, and presently chairman of the Mossovet Ispolkom.

"Now these are practical, businesslike people!" Kabaizde considers.

Pugin came to Ivanovo with the idea of organizing the production of the Ivanovo machining centers at the GAZ. For their own needs. The first machining center with the brand "Ivanovo-GAZ" was assembled in Gorkiy within...half a year after this visit. At that time the Ivanovo people not only handed over the specifications, but also helped with the casting and with completing the sets. It's still too early to say precisely how Saykin's business has been organized. When Kabaizde sees a man's motivation and interest, when he senses his desire and striving, he will share everything. He'll take something away from himself and give it to his partner....

But just why is the interest in Kabaizde's experience, and why is this motivation to learn about the ISPO's developments manifested primarily beyond the bounds of the sector? And in what specifically does this interest manifest itself? Why is such complete indifference displayed in our own Ministry of the Machine-Tool and Tool-Building Industry? Moreover, even to those developments which have been carried out in accordance with the above-mentioned order of this same Ministry of the Machine-Tool and Tool-Building Industry? The sector's staff should do some work in the archives of the Ivanovo people. As confirmation of this, let me cite a letter from S. Gurychev to the chief of the Main Technical Administration, V. Yefimov: "According to Order No 508...we have worked out the necessary technical specifications. The complete sets have been turned over to the archives. The documents are enclosed. Please inform the manufacturing plants so that they may send off the listed documents." And almost a year prior to this letter, there is another letter—this one from V. Kabaizde. Therein the suggestions were made as to where and which assembly units were to be distributed.

But we will continue our discussion about genuine and pseudo-interests, as well as the lack of such, in ensuing publications.



## RAIL SYSTEMS

### Collegium Evaluates Branch Performance

18290130a Moscow GUDOK in Russian 14 Jun 88 p 1

[Article by M. Kaganskii: "The Five Year Plan Is Approaching the Equator"; first two paragraphs are GUDOK introduction]

[Text] The five-year plan has approached the equator. It is possible to interpret the preliminary results. As they say, it is time to look back and to check the course ahead in order to arrive at the planned frontiers. Take a look at how the production base has expanded; you see, it will be difficult to master the growing freight and passenger shipments without this.

How has the branch approached the middle of the five-year plan? A recent session of the Ministry of Railways Collegium was devoted to this.

More than 10 billion tons of freight have been delivered during the last 2.5 years. A total of 54 million tons have been transported above the plan during this year alone. A number of other indicators are also being overfulfilled.

There are no grounds for complacency, however. Despite the increase in the work efficiency of the branch, tempos are seriously lagging behind those provided for in the five-year plan based on many quality indicators.

The speaker—First Deputy Minister V. Ginko—named the main reason for the lagging behind. A purposeful technical policy is not being followed, especially in the Locomotive, Transport, Railcars, Passenger, and several other main administrations and on a number of roads.

It was reasonable to expect that the directors of the main administrations and railroads, which were subjected to criticism, would explain to the Collegium how matters stood and what effective steps they planned in order to reach the assigned frontiers—the more so since the subject concerned the fulfillment of the CPSU Central Committee and USSR Council of Ministers decree on measures to improve work further and strengthen rail transport's material and technical base during 1986-1990, in whose compiling they had participated directly.

Alas, this did not happen. The majority of the speakers only gave—as if they were onlookers—the state of affairs. They discussed what was good and what was bad; they did not make a detailed analysis and did not put forth a positive program.

The main critical volley was, as always, directed against the suppliers of machinery and equipment—the Ministry of Heavy and Transport Machine Building, Ministry of the Electrical Equipment Industry, Ministry of Ferrous Metallurgy, and the contractor—the Ministry of Transport Construction, who are frustrating obligations, and the USSR Gosplan which is acting for them.

There is no argument that industry has an enormous debt to the railroad workers. The delivery of—more accurately, the failure to deliver—electric locomotives, diesel locomotives, rail cars, track equipment, rails, and other material resources became the talk of the town long ago. The reproaches aimed at these branches are justified.

However, what have the directors of the Ministry of Railways main administrations themselves done to fulfill that which has been planned? What bells have they rung? Did they turn for help to the Council of Ministers and other directing agencies?—the chairman was beneath self-accounting.

V. Pavlov, deputy manager of the USSR Gosplan's transport department, accused the speakers of passivity and aimless—essentially into the void—appeals to some abstract department. However, he himself did not go far in aiming his presentation. One of the transport department directors in the country's main planning agency—being a ruler of the destinies of the branch—hurried to assure the speakers...of Gosplan's complete powerlessness. He said that, all told, only four groups of indicators remain in the hands of centralized planning; the others are in the hands of the branches and enterprises. That is why everything today depends on the main link—the enterprise, and why it is necessary to attune oneself to direct contacts with customers and suppliers.

Poor, poor, powerless Gosplan, because of whose "powerlessness" both consumers and manufacturers—who are sometimes entangled in a 100-percent network of state orders and other norms from "only four groups of indicators, all told"—are now suffering. One can only sympathize with its workers.

However, I would very much like to pose the following question. "Independence" has only been declared for enterprises this year, but the disruption in equipment deliveries has already become overgrown with a considerable beard of many years' growth. Where were the workers of the then powerful gosplan, and why did they concur in unrealistic—according to their own admission—amounts that were hammered into manufacturers from five-year plan to five-year plan? Incidentally, one can also ask the same thing of the main administration workers and Ministry of Railways directors without whose visas these amounts would not have been agreed to.

However, this is not the main thing today. The most important question is what should be done for railroad workers to receive the necessary equipment as rapidly as possible. You see, a catastrophic situation is taking shape with respect to this. Approximately a fifth of the freight cars and a third of the locomotives have already completed their service life. This means that they are not working as much as they are being repaired. The situation is no better with the rails and other track facility elements.

Judging from everything, one cannot expect any improvement in the next few years. The representatives of the suppliers also talked about this. For example, not a single rouble from the millions, which the CPSU Central Committee and USSR Council of Ministers decree planned for reconstructing the shops in the Novochoerkasskiy Electric Locomotive Building Plant to enable it to produce modern equipment, has arrived. The decree has practically been torpedoed, explained E. Putilov, the new general director of the NEVZ [Novochoerkasskiy Electric Locomotive Building Plant].

He said right out: "Matters will not progress until the system of mutual relations between customers and manufacturers—a system in which there is no one between them—is fundamentally changed. The ministries, Gosplan, Gossnab, and a mass of other departments are tearing the direct customer-manufacturer chain asunder and are distorting it until it is impossible to work normally."

What is the solution? The NEVZ director, perhaps the only one of the participants in the Collegium session, proposed a constructive program that would permit the production of locomotives to be put right with relatively small expenditures and within acceptable timeframes. Its essence lay in organizing cooperation between diesel and electric locomotive builders, standardizing transport equipment assemblies, and arranging for the direct participation of all interested enterprises in organizing the production of modern locomotives.

A program for cooperation between diesel and electric locomotive builders has been worked up; it was submitted to the USSR Gosplan in March where it has rested peacefully since then. It is difficult to expect an acceleration from "independent" enterprises when the speeds are such.

It seems that the path proposed by the Novochoerkassk people is extremely promising. It is necessary to give it a start in life as rapidly as possible. You see, it is evidently not suitable only for locomotive building.

08802

#### **Readers Examine New Economic Mechanisms**

18290130b Moscow GUDOK in Russian 28 Jun 88 p 3

[Article by M. Kaganskiy: "Cost Accounting Teaches One To Work"; first paragraph is GUDOK introduction]

[Text] The readers' mail testifies that everything is still not well with the introduction of the new economic mechanism.

Perhaps one of the strongest streams of letters to the editor is now connected with economics and the improvement of the new economic mechanism. All told, several months have passed since the branch shifted to

full cost accounting and self-financing, and the nature of the readers' mail has changed noticeably. This is not surprising. Previously, they discussed the new economic mechanism—so to speak—using their fingers. They suggested how it would function and what problems would arise.

Cost accounting has now been introduced. They are now deciding where things are better and where they are worse and judging the new management methods using concrete experience; they are seeing their virtues and their shortcomings.

Letters with good news are arriving ever more frequently at the editorial board: Cost accounting has begun to "work." Many enterprises are changing their structure, reducing superfluous links and restoring the feeling of being a master of production to the workers. Now, the thoughtless instructions of some commanders, who are accustomed to uncomplaining subordination, are not always being overlooked.

The economic methods are instilling thrift and are forcing one to count the popular kopeck. D. Zayats, an adjuster, shares his thoughts: "Thirty years of experience in working at the Zaporozhskiy Electric Locomotive Repair Plant permit me to confirm the increase in responsibility. Now, all workers taken together and each worker individually have begun to save. For example, no one throws away an old item as they did before if it is still possible to use it."

In this respect, the letter from D. Meskin, a senior engineer in the Ministry of Railways Rail Transport Central Scientific Research Institute for Information, Technical Economic Research and Propaganda, is typical. It talks about the experiences in expanding brigade cost accounting in the collective of the Chernovtsy rail terminal on the Lvov Railroad. Each brigade is responsible for a certain technological flow using norms developed and approved by the terminal's economic council and develops the annual production and financial plan on its own. The plan includes all volume, financial and economic indicators.

Relations between the brigades are built on the basis of mutual settlements using fixed tariff rates for each type of inter-brigade operation. The party, which is guilty of disrupting obligations, pays a forfeit amounting to 75 percent of the cost of the services.

It is impossible to manage without problems. However, the main purpose has been achieved: The restructuring of both technology and psychology is occurring—and the workers are the winners.

The pages of GUDOK have talked more than once about the positive changes for the better. This causes joy. Unfortunately, the cost accounting sky is far from cloudless. As the readers report, black clouds have already appeared.

### What Is Spoiling the Weather?

Primarily "subversive" and "made-up" planning, reports Yu. Mamontov, chairman of the labor collective council at the Kombinatnaya station on the West Siberian Railroad. The collective letter, which—besides Mamontov—the shunting dispatcher, train make-up man, park and hump duty attendants, receiver and issuer, freight cashier, PTO [technical maintenance point] foreman, and rail car inspector signed, cited the following facts. Over a four-month period, the Omsknefteorgsintez Association submitted for shipment hundreds of thousands of tons of petroleum products less than the planned amount.

The petroleum chemists explained: Less fuel oil will be produced due to a change in the composition of the oil being extracted. In connection with this, they lowered the shipping plan for the petroleum chemists. The railroad workers reasonably ask: "Did the planning agencies really not know about this beforehand? Did this not result from the fact that centralized planning from above is being done in the old way, without considering the opinion and suggestions of the immediate executors? This contradicts Article 10 of the Law on a State Enterprise. The USSR Ministry of the Petroleum Refining and Petrochemical Industry, USSR Gosnab, and RSFSR State Committee for the Supply of Petroleum Products are also engaged in planning. Truly, too many cooks ...."

Many other letters also talk about the lack of coordination in planning, in particular, those from V. Shadrin, deputy chief of the Pavlovo-Posad Station on the Moscow Railroad; T. Meleshkin, party organization secretary in the maintenance shop of the locomotive depot at Rubtsovsk Station; and the collective letter from the members of the labor collective council at the station of Vladivostok.

The situation with planning has become the talk of the town. You will hardly find a newspaper today in which these questions are not raised. The USSR Gosplan and participating ministries and departments, including the Ministry of Railways, are getting off with soothing but continuously unfulfilled promises or answers written only for form's sake. They are not remaining silent at all—but the matter does not move from the halt.

You know, thoughtless planning is one of the main assemblies in the braking mechanism. If it is not broken, cost accounting in transport will remain fettered. "Subversive" planning is a time-tested way to ruin a vital matter. Judging from the reader's letters, however, modern levers, which are effective in this direction, have now appeared. I have in mind the norms and standards which should indeed serve restructuring.

### Clipped Wings

The workers in the planning and economic department of the Kaluzhskiy Track Repair Machine Building Plant write: "Norms are the wings of cost accounting; however,

the wings have turned out to be clipped. Only 10.4 percent of the total profit remains at the collective's disposal—the Remputmash [Track Repair Machinery] Production Association established this norm. Moreover, the amortization allowances for complete restoration and overhaul are being transferred almost completely, that is, the norms again provide for a 'pumping over' of assets from well functioning enterprises to unprofitable ones."

It is known where such a "policy" leads. It kills the desire of hard workers to labor with their full strength and raises careless ones. You will not choose any other word except dependency. Why improve production, reduce extremely inflated equipment, lower production costs, and make norms stricter if "donors" cover all expenditures.

V. Filonenko, manager of the technical information office in the Kuybyshev Division, cited a specific example of such dependency.

He writes: "Previously, they split up to half a hundred consists per shift at the hump in the station of Kinel. Now, the norm is nearly one and a half dozen trains less. If you count the angular flow, the repeated breaking-up and a number of other components, no more than three dozen scheduled trains are split up. This means that the norm itself is an obstacle to improving work." Comrade Filonenko reasonably asks: "Why should the station chief teach the hump workers an advanced technique, improve technology and save minutes? You see, all this requires trouble, professionalism, knowledge, and desire. It is much simpler to achieve 'reduced' norms and it is easier to fulfill them. All of this is being done with the blessings of the shipment service."

A mass of similar letters is arriving at the editorial office. Many of them have expressed the thought: Is this not why economic training is organized poorly on a number of roads and why the prospect of having economically literate workers, who understand why, how much and where the assets earned by their hump are going, is not "inspiring" some commanders?

### ...The Darkness of the Ignorant

For example, I. Pantyukh, a war and labor veteran from the Ulyanovsk Division of the Kuybyshev Railroad; L. Safonova, a ticket agent at the station of Yangi Zarafshan; N. Nikitenko, production and technical department chief at the Alma-Ata locomotive depot; and other railroad workers write about organized training.

Many readers directly link their economic illiteracy with the social injustices in paying for labor. Naturally, a large portion of the letters belong to workers. For example, the collective letter from the conductor brigade at the station of Shebalinka, which 15 people signed, says: "Many questions have arisen for us, to which we cannot find an answer anywhere. A reduction occurred with the shift to



the Belorussian method. The speed controllers and a third of the signalmen and chief guards fell under it. We had to perform their work. They increased the rate from 72.9 to 86.3 kopecks an hour. In return, however, they took away all the additional payments which we had previously received. As a result, the wage was reduced by 40-50 rubles a month."

V. Redel from the Zhana-Arkinskaya Signals and Communications Division, M. Ayapergenova from the Southern Urals, and A. Tkachenko from the Zaporozhye also write about the injustices in pay.

In a word, there are enough problems in cost accounting. The responsible employees in the Ministry of Railways economic main administrations think that they have prepared and sent to the local areas all the instructions and directions required for cost accounting to be able to move under full sail.

However, the readers' mail is evidence that everything is far from being well in the cost accounting "realm." As the already mentioned L. Safonova writes, "Only the 'zero' cycle has been mastered in cost accounting and self financing if one speaks honestly—and this has not happened everywhere. Economic training, interconnected seminars and, of course, economic certification are required."

It is difficult not to agree with this. Each economic director must pass an examination on his knowledge of the economic Rules for Technical Operation. This question was raised at one of the Ministry of Railways Collegium sessions and was approved, but economic illiteracy "is now present there."

These letters only touch upon a portion of the problems that have arisen with the introduction of the new economic methods. Thus, it is too early—as they say—to finish. We intend to continue the discussion of experiences and problems in cost accounting—with your help, dear comrades!

08802

#### **Press Conference Examines Railway Safety**

18290134a Moscow GUDOK in Russian 25 Jun 88 p 3

[Article: "Safety Must Be Guaranteed: A Press Conference Held at the Ministry of Railways"; first paragraph in boldface is introduction]

[Text] The situation with regard to traffic safety in railroad transportation continues to be alarming. This year four passenger-train wrecks have been allowed to occur. One passenger was killed, and 21 have been injured. In accidents involving freight trains five persons have perished, and an equal number of railroad workers have been injured. The direct damage alone from the occurrence of serious accidents has exceeded 5 million rubles.

The worst wrecks of last year which resulted in deaths of people engendered a lack of trust on the part of some people in the reliability of our railroads' operation.

The principal cause of various types of accident situations remains the unconscientious and, in several cases, the criminally negligent attitude of railroad workers toward their own duties. Often they amount to poor occupational skills, a lack of control, and over-simplification. Formalism has penetrated even into the sphere of traffic safety, the laws of which were once considered to be the holy of holies for railroad transport.

Many serious accidents have revealed an emergence of years of neglect toward solving the social problems of transport workers. And, although attention to this has recently been stepped up, violations of the labor and rest of locomotive crews have not been eliminated from the "order of the day." Many railroad workers connected with train traffic have not had normal working and living conditions created for them. Quite a few locomotive engineers have nowhere to rest as they should before making a run.

Other factors affecting traffic safety are the condition of the track maintenance and the rolling stock: cars, locomotives, and other equipment. They have not been replaced for many long years. Therefore, railroad workers place great hopes on implementation of the Program for Modernizing and Retooling Transport, which is now being worked out in accordance with the decision of the CPSU Central Committee Politburo.

Along with stepping up educational work, the creation and introduction of technical means guaranteeing accident-free conditions, there has been a restructuring and strengthening of the structure and apparatus directly concerned with traffic safety.

These and other questions were examined at a press conference which was held yesterday at the Ministry of Railways by G.I. Kozlov, the deputy minister of railways and the chief of the Main Administration for Traffic Safety. He answered the journalists' questions.

The participants in the press conference had the chance to become acquainted with new technical devices for ensuring train-traffic safety.

2384

#### **Press Conference Discusses BAM Development**

18290134b Moscow PUT I PUTEVOYE

KHOZYAYSTVO in Russian No 6, Jun 88 p 18

[Article: "A Course Aimed at Social Development (Press Conference Held by N.K. Isingarín, deputy minister of railways: Problems of the BAM [Baykal-Amur Mainline] Construction and Development)"]

[Text] Taking part in the press conference were leading officials of the track main administrations, workers' supply, planning, and capital construction, the staff of the CPSU Komsomol Central Committee of the BAM, as well as representatives of television, the central and sectorial press.

N.K. Isingarín talked about the state of affairs on the BAM, drawing attention to the difficulties and mistakes which had been allowed to occur in previous years. He emphasized that the BAM is a multifaceted structure comprising the construction of the line and an operating railroad, along with the territory being developed. At present the principal tasks are preparing to put the mainline into continuous operation and completing construction on the cities, settlements, along with the health-care, educational, trade, and cultural-everyday service facilities located here.

The new approach to the BAM's problems is characterized by a predominant course aimed at developing the social sphere.

Up to the present time, unfortunately, 19 settlements lack trade and social centers, 15 lack bathhouses and laundries, 7 lack clubs, and 6 lack schools. There is an acute housing shortage. The principal reason for the situation which has developed is the miscalculations which were made in the 1977 plan for the BAM construction. Housing and socio-cultural facilities were planned only for the railroad workers. But merely temporary housing was provided for the builders of the mainline.

No forecasts were made of the age structure of the population in the BAM zone. The demographic situation which evolved, and which is characterized by an increased birth rate among the young families, required additional construction of kindergartens, nurseries, and housing.

Since 1985 the pace of building non-production types of facilities has almost doubled, which has allowed us to reduce the disproportion which had evolved in previous years. However, in order to correct the miscalculations which were allowed to occur in the planning, another 866.9 million rubles are required. In turn, the Ministry of Railways has adopted a comprehensive program for social development, and the necessary funds are being redistributed for its implementation.

Railroad workers must ensure a high degree of reliability for the line, which, to a decisive degree, depends on the condition of the earthbed. Over the great length of this railroad its settling will continue for several dozen years. This requires periodic addition of ballast.

Experience has shown that many defects are beginning to appear in the man-made structures. Thus, deformations are developing in the reinforced-concrete components on one-third of the bridges now in operation, and insulation defects on 38 percent of them. In short, track workers and bridge workers have to solve some complex and difficult problems.

N.K. Isingarín answered numerous questions from journalists regarding the social development, cost accounting, developing the BAM zone, operational work, and mutual interrelations between the Ministry of Railways and the Ministry of Transport Construction.

The correspondent from the journal PUT I PUTEVOYE KHOZYAYSTVO asked a question with the following content. The current maintenance and repair of the earthbed require millions of cubic meters of ballast to be added in under the track. Such amounts are hardly within the capabilities of the track divisions. What is the ministry undertaking to do in order to ensure that these operations are carried out?

In reply, it was stated that recently a special order of the Ministry of Railways was signed, establishing a procedure for the railroad's acceptance for continuous operation. This order provides for the creation of specialized PMS's [track-machinery stations] and the opening of ballast quarries. Moreover, the ministry will render appropriate technical aid to the track enterprises.

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2384

**Arzamas Train Explosion Followup Reports**  
*18290127a Moscow IZVESTIYA in Russian 6, 8, 14 Jun 88 pp 4, 6*

[Serialized articles by R. Ignatyev]

[6 Jun 88, p 4]

[Text] A major accident occurred at the Gorkiy Railroad's Arzamas-1 Station on 4 June at 9:30 am. Our correspondent spoke by telephone with Deputy USSR Council of Ministers Chairman Gennadiy Georgiyevich Vedernikov, who is heading the government commission investigating the causes of the incident and organizing restoration work, and asked him for a detailed report of what occurred.

"Just as the freight train came up to the station, a powerful explosion was heard in one of the cars. It was very forceful, and blew windows out in houses more than two km from the station. The locomotive was turned over and to the side. The station was damaged somewhat, and several old wooden houses and industrial structures were damaged extensively. Small fires started in several places, some railcars fell into side ditches and rails were twisted out...

Of course, no one expected the explosion. There were trucks and cars waiting at the crossing for the train to pass, and this was the epicenter of the explosion. They were blown aside like bits of fluff. The accident caused the deaths of 68 persons, with hundreds injured.

The oblast and city radio stations immediately reported the accident: local authorities appealed to the populace for help. Evacuation of the injured began immediately. Buses and other modes of transport were used for this.

Gorkom and gorispolkom leaders arrived at the accident site in 15-20 minutes. By 10:00 am 20 fire trucks had extinguished the fire. A 230-bed field hospital was quickly set up. A group of highly-skilled surgeons and traumatic injury specialists—over 80 doctors in all—were flown in from Gorkiy by helicopter. Some 17 ambulances, manned by medical students, were summoned.

Residents of the city responded instantly to the disaster. They came to the headquarters in charge of clearing away the aftereffects of the accident and offered to donate blood for the injured, and shared their possessions and their products.

The government commission was composed of 14 members, including representatives of USSR Minzdrav [Ministry of Health], the MVD [Ministry of Internal Affairs] the MPS [Ministry of Railways] and other departments.

"Both tracks and, consequently, train traffic were restored on 5 June," recounts Gennadiy Georgiyevich. "The rubble from the destroyed homes and structures was cleared away. According to our calculations, 151 dwellings were completely destroyed and 250 buildings sustained medium and minor damage. Some 600 families—about 2,800 people—were left homeless. They have been temporarily placed in apartments, and some have moved in with relatives.

"USSR Minister of Railways N. S. Konarev, who is here in Arzamas as well, decided to plan and build two hundred-apartment buildings. About 1,000 construction workers have already come from Gorkiy and other oblasts of the country. We are also linking up with other organizations and departments to rebuild the partly-demolished structures and repair buildings. We hope to get this done in a short time."

A special commission comprised of ispolkom, city Party committee, municipal services, Gosstrakh [State Insurance] and financial agency employees is now at work. It is determining the damage suffered by the victims of the accident and is taking steps to replace their material losses. The governmental commission is doing everything possible to render necessary aid to these people.

Twenty teams of doctors showed up from Moscow with everything necessary to perform surgical operations. The engineer and his assistant, who were on the train, remained alive.

According to preliminary information from the investigation, the railcars which exploded were carrying industrial explosives used in geological prospecting work and on other national economic projects. These materials—117 tons of them in all—had been loaded in three railcars.

The crater formed by the explosion was 26 m deep and 53 m across. The shock wave destroyed structures as far away as two km from the accident site. Most of the structures damaged within this zone were dilapidated and very old.

[8 Jun 88, p 6]

[Text] As reported by IZVESTIYA stringer A. Yershov, restoration work continues in the city. People are clearing away obstructions and repairing and building housing around the clock. Special account 700963—which has been set up as an assistance fund for victims of the accident—was opened in a department of the housing and social bank. Treatment centers have been put on a round-the-clock schedule. Some 229 injured persons are in hospitals. According to latest information, 73 people have died. Over 700 people have requested medical aid.

The government commission is studying the circumstances which caused the accident. Criminal proceedings are now being instituted regarding the case of the explosion. Deputy USSR General Procurator A. Vasilyev is taking part in the investigation.

The editorial board has contacted First Deputy Minister of Railways G. Fadeyev and has asked him to comment on the accident from the point of view, so to speak, of the railroad. Were any violations committed here?

"As has already been reported, three railcars were carrying industrial explosives," recounts Gennadiy Matveyevich. "The procedure for transporting these cargoes is prescribed by special regulations. They stipulate in detail all the measures for transporting hazardous materials. We were informed of the accident at approximately 10:00 am. All the directors of main MPS administrations, led by First Deputy Minister V. Ginko, left straight away for the accident site. Minister of Railways N. Konarev followed immediately with the government commission."

According to the statute now in force, the consigning-manufacturer determines the suitability of the railcars and is responsible for their being prepared to travel. The railroad has to deliver the load in good condition.

The consist was accompanied along the entire route by USSR Ministry of Railways military-type guards, who relieved each other. V. A. Gorshkov was the last to take his post. He was to have been relieved when the train got to the Arzamas-1 Station.



The guard was in the back of diesel locomotive cab. The three cars carrying the explosives were coupled immediately behind the locomotive. Two of them were of all-metal construction and one had a wooden body. The impact of the explosion immediately hit the rear section of the locomotive, killing V. A. Gorshkov. Locomotive engineer Yu. Mikanovich and his assistant S. Kashirov were pulled from the locomotive in serious condition. Both received brain concussions.

"The preliminary investigation has shown that the railroad violated no regulations whatsoever," continues G. Fadeyev. Both the acceptance of the goods and the manner in which they were transported were carried out by the book. The locomotive was in good working order. Considering the nature of this load, it could be suggested that the explosion could have been caused by high temperature or the explosives could have somehow been detonated. Had a fire started in transit, the guard would have noticed and could have taken measures. Our commission's scientific experts all deduced from the investigation materials that prior to the time this consist was dispatched there had been substantial deviations from the norms while loading trains with the same types of explosive materials. And that the trains were running in the same direction. The loading was handled by the manufacturer. The railcars, which were already ready to leave, were accepted by persons other than railroad employees. It is still difficult to say whether the violations occurred when these railcars were being loaded. But the commission took this information into account during its further investigation."

Press reports hinted that the industrial explosives were intended for use in geological operations.

"I still cannot say which specific organization the cargo belonged to, as this question is still being clarified," says First USSR Deputy Minister of Geology Farman Kurbanovich Salmanov. "But I will say that we use these explosive materials extensively in our work. For example, we blast when prospecting for oil and gas as well as other minerals."

IZVESTIYA called the Arzamas party gorkom, where the headquarters for removing the aftereffects of the accident was set up. Deputy Chairman of the RSFSR Council of Ministers Leonid Aleksandrovich Gorshkov, who is also a member of the government commission, came to the telephone. He said: "Today the people of Arzamas buried those of their fellow countrymen who lost their lives in the accident. We are still looking into causes. It is an extremely complex situation, and requires a thorough investigation."

The RSFSR Council of Ministers has decided to build 300 single-family houses. There are presently over 2,000 construction workers in Arzamas. A volunteer construction team of over 600 persons arrived today. The city is being supplied with material resources and food.

USSR Mintransstroy [Ministry of Transport Construction] is organizing the delivery of two disassembled 100-unit apartment houses to Arzamas. Numbered days are required to assemble them. The city's enterprises, institutions and organizations have offered accident victims housing regardless of their place on the available-housing list. Telegrams of condolence are coming in to the people of Arzamas from the far corners of the country. The residents are bearing up under the misfortune which has befallen them with great courage. The first assets have been deposited to account No 700963. Repair and restoration work is being supervised by a special staff in charge of construction and material-technical supply.

[14 Jan 88, p 6]

[Text] The first 80 families left homeless by the accident at the Arzamas-1 Station obtained vouchers for new housing last weekend.

Saturday. On 50th Anniversary of the All-Union Kom-somol Street. Right here, in the building which has only recently been put into operation, victims of the tragedy are looking over their future homes. This apartment building belongs to the Avtoproved Association, which built it for those of its workers who belong to the local division of the All-Union Society of Blind Persons. They unanimously decided to turn over 20 apartments to accident victims. Their example has been followed by other enterprises in the city. On Sunday, 60 more families in difficult straits were issued housing vouchers.

Over 700 families are to be provided with housing. The final deadline for this is 1 November 1988.

The headquarters for restoring the destroyed buildings has been set up in the precise center of the locus of defeat. A steady stream of residents has been coming to this mobile field dwelling.

"On the suggestion of the special commission, we plan to build over 600 housing units," says V. Sukhov, director of the headquarters staff and Arzamas party gorkom worker. "People come here asking us to supply them with everything they need to repair the so-called private sector. Unfortunately, we are experiencing partial interruptions in our supply of building materials."

As I was speaking with Valeriy Nikolayevich, he was approached by Vladimir Panov to have a request accepted. He is restoring his own house with the help of assistants. Here is what he told me on the telephone:

"I live about 300 m from the station, on 29 Tchaikovskiy Street. At the time of the accident, my wife was home with our daughter, who was watching television. At the instant of the explosion, the ceiling crashed down and they barely managed to run out into the street. Only a few of the house's walls were left standing. So now we are repairing it. We're short of lumber. For the time being,

we are living in a lean-to, which serves us as a kitchen and a bedroom. The gorispolkom gave us R300. And the Red Cross Society and the Red Crescent gave us R50 each. And we have been given food coupons...."

It has already been 10 days since the tragic accident. As we can see, the city is gradually treating its wounds and life is getting back to normal. The people are coming around. And now it is time for each of us, first of all the direct victims of the accident, to begin thinking seriously about the unavoidable questions: "What caused the explosion? Who is to blame for what happened?"

"The investigative group has been working at the Arzamas-I Station since the very first days," says Deputy USSR General Procurator and government commission member A. Vasilyev. "Specialists in various fields of knowledge have been brought into the investigation. They include scientists, engineers and medical specialists. There are over 50 people from the procurator's office alone.

"We have gone over the site of the accident repeatedly," continues Aleksey Dmitriyevich [Vasilyev]. "We have questioned almost all the eye-witnesses, and have conducted many investigations of all sorts. We have worked out several versions of the cause of the explosion, and are checking them out thoroughly.

"At first we thought there might have been defects in the rolling stock," says Deputy Minister of Railways and Chief of the Main Traffic Safety Administration G. Kozlov. "We managed to talk a little with S. Kashirov, the engineer's assistant. He indicated that at the moment the train passed the entry signal, he made an entry in his notebook and entered the time as 9:25 am. The train immediately started around a curve, thus allowing him to see almost the entire train. Everything was fine. And after a minute, the automatic speed-rate recorders registered a sharp jolt (a seismographic station recorded the explosion at a level of 9.30)...We also considered a version involving a gas pipeline located just beneath the railroad crossing. It was suggested that perhaps the pipeline was faulty, and that just as the train passed over it the gas was supposedly ignited by a random spark which detonated the dangerous cargo...."

An interview with First Deputy Minister of Railways G. Fadeyev was published in IZVESTIYA No 161/160. He informed the editorial board that the preliminary investigation had found no violations of regulations on the part of the railroad, and that the load had been accepted and transported according to regulations. The next day, readers began calling the editorial board from all around the country. They claimed that flagrant errors had been allowed in the shipping of explosives. To corroborate their assertions, they quoted the normative documents which state that when trains are marshalled, railcars carrying explosives must be put in the middle of the consist, not coupled to the locomotive.

G. Kozlov continues: "There are 10 classes of explosive materials. The locomotive brigade was told what type of freight they had to haul. The class of explosive in question belonged to a category for which the above regulations need not be observed. True, it later turned out that the explosives in the cars were more dangerous. Moreover, the first railcar was loaded with two different classes of explosives: 35 t of TL-400 trinitrotoluene blasting cartridges and 93 cases of ZPKS-80, a product containing hexogen. This is categorically proscribed in the regulations. Neither the engineer, his assistant or the militarized guards were aware of these violations. The guards who had accepted the freight only saw the seals on the railcar doors. The locomotive brigade complied with all the regulations. The experts who interpreted the speed indicator tape were convinced of this. As for the locomotive itself, it could not possibly have ignited the load. The line section on which the accident occurred is on a downgrade, which means that the diesel locomotive was running on idle with no load at that moment. This type of motion rules out sparks issuing forth from the exhaust pipe or being generated by the electrical machinery commutators. This has been corroborated by scientific and technical studies. Besides, the railcars were equipped with composition (plastic) brake shoes, which produce no sparks when pressed to the wheels. Diesel locomotives comply with fire safety regulations by their very nature. The movement of this consist was specially supervised by train dispatchers and station duty personnel for the entire length of the run."

"One other version of the accident has been worked out: an explosion in the railcar," says G. Kozlov. "Incidentally, several other consists of 7 railcars loaded with explosives were right behind this one. They were marshalled at the Gorkiy Shunting Station and had already been dispatched. Nevertheless, they managed to get back. And serious violations were discovered here."

So this time, the accident was caused by irresponsibility. It cost 84 lives. There are some who are unidentified and still some missing. In all, 91 people died. To put it mildly, isn't someone's criminal negligence going to cost us a pretty penny?

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## MARITIME AND RIVER FLEETS

**Minister Examines River Transport, Safety**  
18290155 Moscow RECHNOY TRANSPORT in  
Russian No 6, Jun 88pp 2-4

[Article by L. Bagrov, RSFSR Minister of the River Fleet: "A Question of Primary Importance]

[Text] The river transport workers of Russia, actively participating in the competition for a suitable greeting to the 19th Party Conference, have organized the expanded transport of national economic cargo along all the rivers of the republic. Tens of millions of tons of various types

of cargo have already been delivered to numerous consumers in the rayons located along the rivers, including remote areas along small rivers. Geologists and surveyors, industrial enterprises and agriculture have received fuel and food products, machines and equipment, raw goods and materials in the necessary volumes.

The steamship line collectives, working under conditions of full cost accounting and self-financing, are directing their efforts toward the rational utilization of the fleet and the cargo handling equipment, and toward the economy of material and labor resources.

One of the main directions in improving transport services to the national economy and the public is the creation of the necessary conditions for accident-free operation of all means of transport, and especially passenger vessels. Accidents not only negate all the good work which has been done previously, but also evoke the justifiable indignation of the Soviet people in each case of violation of order and discipline in the fleet. This is why this important question must always be given primary attention in our work. In March of this year, a special meeting of the CPSU Central Committee reviewed a set of questions associated with ensuring safety in the operation of railroad, automobile, air, sea, and river transport. CPSU Central Committee Politburo Candidate Member and CPSU Central Committee Secretary Comrade V. I. Dolgikh noted in particular that the party Central Committee and the Soviet government are giving constant attention to reducing the accident rate in transport, and are ascribing great social significance to this problem. In recent years a number of resolutions have been adopted on these questions. However, the state of affairs with transport traffic safety remains unsatisfactory.

Many local economic managers, party, soviet and trade union agencies do not draw the proper conclusions from the accidents which have occurred. They underestimate the gravity of the situation which has arisen on questions of safety and lack of discipline in fulfilling the adopted resolutions.

The criticism expressed at the meeting and addressed to the transport ministries is true also for the river transport of the Russian Federation, which transports around 100 million passengers and over 560 million tons of cargo each year. There are thousands of vessels operating along the main river navigation lines, whose total length is more than 100,000 km. There are around 90,000 fleet personnel workers employed here, including 32,000 fleet commanders.

The work which is being performed on strengthening labor and production discipline, increasing the responsibility of each river transport worker for his assigned task, putting into operation the new Regulations on Service Aboard Vessels, Rules of Navigation, Regulations on Discipline, and a number of other documents regulating navigation safety, and increasing attention of

the governing board to these questions—all this has had a positive effect on the accident rate in the fleet. As of 1983, a positive tendency has been noted toward the reduction of the overall number of transport-related accidents.

However, in analyzing the state of affairs in light of the meeting held at the CPSU Central Committee and the adopted resolutions, we must say that this work has not yielded the necessary results. The accident rate still remains high. While for 1987 there were no accidents or incidents in the work of the Vyatsk, Kuban, and Sukhonsk Steamship Lines and the accident rate remained at the 1986 level at the North-Western, Western, Ob-Irtysh, Pechora, and Amur Steamship Lines, on all the other steamship lines the accident rate increased. The greatest relative share of accidents according to the MRF [Ministry of the River Fleet] is still in the Leningrad United (34 percent), Yenisey (10.5), North-Western (6.8), and Ob-Irtysh (6.2 percent) Steamship Lines, while the relative level (per 100 steam-powered vessels) exceeds the sector average by 3 times in the Lensk United Steamship Line, by 1.4 in the Kamsk, by 1.3 in the "Volgotanker," and by 1.2 times in the East-Siberia.

Despite the work which is being performed on ensuring navigation safety of passenger vessels, the accident rate for this sector of the fleet justifiably continues to evoke particular concern. In 1987 on the whole throughout the ministry there were 56 transport-related accidents. Half of these occurred on the Volga United, Belsk, North-Western, Ob-Irtysh, and Kamsk Steamship Lines. Evidently, preventive work at these steamship companies is being performed in a formal manner. Despite the fact that this is categorically prohibited by the rules, we observe cases of high-speed vessels moving under hydrofoil power during conditions of limited visibility. This practice can be fraught with serious consequences. Thus, on 31 August 1987 the "Meteor-142" (SZRP) [North-Western River Steamship Line] with 77 passengers on board and commanded by Navigator First Class A. Osadchiy ran aground while moving at full speed at night along the Sheksne River. The vessel was removed only after 107 hours with the aid of earth-moving equipment. On 26 May 1987 there was a collision between the service charter vessel "Stremitelnyy" (KRP) [Kamsk River Steamship Line] and the steamship "Volgoneft-229" ("Volgotanker") on the Kama River near the port of Kambarka. This accident was due to a blatant violation of the Rules of Navigation. As a result, the "Stremitelnyy" tipped over and helmsman-motor mechanic A. I. Kapustina was killed. The acting captain of the steamship "Stremitelnyy," V. Shukhovtsev, was sentenced by the Udmurt ASSR Supreme Court to 3 years imprisonment and a fine of 5,000 rubles.

Analysis shows that the main types of accidents and emergency situations constitute hitting above-water or submerged objects, as well as running onto them (50 percent), running aground on a shoal (32), and vessel collisions (13 percent). The reasons for these accidents,



as before, are violations of the Regulations on of Service Aboard Vessels (44 percent), Rules of Navigation (27), Rules of Equipment Operation (10), or straying off course (6 percent).

The most dangerous type of accident is the collision of vessels. A significant number of such accidents occurred in 1987 with the vessels of the Volga and Lensk United, "Volgotanker," North-Western, Ob-Irtysh and Irtysh Steamship Lines. A large percentage of the accidents occurs due to the low level of labor and production discipline, blatant violations of the regulations, service instructions and rules, and a casual attitude by individual workers toward the fulfillment of their responsibilities. The unswerving fulfillment of the regulation requirements has not yet become the law for everyone. During the last navigation period, the command personnel of the vessels allowed over 4,500 different violations of navigation safety regulations, and 1,318 ship-handlers had the control tags on their operator's licenses revoked.

As compared with 1986, the number of violations of labor and production discipline increased on the Volga United, Kamsk, Belsk, Irtysh and Yenisey Steamship Lines. The most serious violation is the ship's personnel reporting for duty in an intoxicated state, which creates a constant threat to traffic safety. Last year, 208 fleet commanders were disqualified for this reason. Of these, 160 were identified by workers of the navigation inspection services.

Work on combatting drunkenness in the fleet is poor in the Yenisey (Chief A. Pechenik), Ob-Irtysh (A. Lyuft), West-Siberian (A. Ryzhkov), and North-Western (V. Fomin) Steamship Lines. This has been the cause of a number of accidents. Thus, on 29 August 1987 the steamship ST-705 (Yenisey River Steamship Line) commanded by Navigator First-Class G. Tsaryuk, who was in an intoxicated state at the time, went beyond the navigable boundaries at Atamanovskiy Shoal on the Yenisey River and sustained a hole through the hull. The ship sank. Here is another example. On 6 August, a navigator first-class on the steamship "Reydovyy-22" of the Ob-Irtysh Steamship Line commanded the crew while intoxicated. As a result, the hull of the passenger ship "Kalinin," which was moored near the docking platform, was damaged.

The managers of a number of steamship lines, ports and enterprises are showing a liberal attitude toward those who violate labor discipline and allow persons who have compromised themselves to be reinstated to their duties. A characteristic example of such an irresponsible attitude is the advancement by the Chistopolskiy SRZ (Ship Repair Plant) of R. Vakhitov, who had previously been disqualified for drunkenness, for the duties of captain of the steamship "Kimra" (Kamsk River Steamship Line). And here is the result. Because of R. Vakhitov's careless attitude, on 7 July there was an accident, and on 28 July all three control checks on his operator's license were revoked for drunkenness. It is only the lack of principle

in selection of the command fleet personnel in the Kamsk River Steamship Line that explains the increased accident rate in the river basin.

There is practically no improvement in the preparation of vessels for operation at sea. In 1987, there were 1,370 cases of vessels being detained by port inspection authorities during verification of their navigational readiness. Their idle time comprised 21,500 hours. Every fifth vessel was not released, while on the Northern Steamship Line it was every second, and in "Volgotanker"—every third one. This was despite the fact that according to the release documents from the repair services these vessels were listed as being completely seaworthy.

There is a continuing practice of sending vessels off on their run with incomplete crews, without consideration for the route distances, with violations of the standard staffing requirements, or with overloading. Thus, out of 211 vessels certified by the Yakutsk Port Inspection for Authority for proceeding to Nizhneyansk, 56 steamships released were not self-propelled due to the lack of crew staffing.

The situation with the accident rate on the Yenisey Steamship Line is unfavorable. Here, as before, there are cases of vessels breaking because non-adherence to cargo handling work technology is allowed, and the operation of the fleet vessels which are in disrepair is permitted. This ultimately leads to accidents due to failures of the steering mechanism and breakage of the automatic coupling devices. Around 50 percent of the accidents occur on the Angara River. The questions on strengthening the navigation safety service have not yet been resolved in steamship navigation. The duties of the chief navigator have not been clearly defined. Mentor-captains are not being used properly. Is it permissible when, by order of the director of the Podtesov Fleet REB [repair-operations base] dated 31 July 1987, two mentor-captains are transferred to territorial management—one to cargo handling operations, and the other to slip-servicing vessels. And this was in the very height of navigation, when these men were most needed on vessels, and primarily on river sections which were complex and difficult to navigate.

Steamship line Chief A. Pechenkin and his assistants must radically change their approach to these questions and take on full responsibility for their immediate resolution.

The organization of work on accident prevention on the "Volgotanker" Steamship Line evokes particular concern. There are large vessels operating here, with a great range of navigation. They transport hazardous cargo, and at the same time almost 23 percent of all collisions occur within this fleet. The work of this steamship line is extremely unsatisfactory in resolving questions of staffing vessels, particularly with command personnel. A significant number of vessels are staffed in two shifts.

Already during the current navigation period (23 April) on the lower Volga in the area of Nikolskiy Village there was a collision between the steamship "Nefterudovoz-19" and the OT-2060 complex (Volga United River Steamship Line) which it was towing. This accident was caused by the most blatant violation of the Rules of Navigation by Navigator Second-Class A. Khoroshev of the "Nefterudovoz-19." As a result of the damage sustained in the collision, section No 131 sank in the middle of the channel. This once more testifies to the fact that work with the cadres on the steamship line is not organized in a satisfactory manner.

The increase in the fleet accident rate under the new conditions of economic management is a direct reflection of the fact that the operational apparatus and other steamship line land-based services have not yet sufficiently stressed the inclusion of economic levers for accident-free fleet operation.

We must change the entire transport fleet over to year-round cost accounting as soon as possible, with broad inclusion of vessel operation by the group order method. This will stimulate every fleet commander to wage a more effective struggle for accident-free operation, since all the expenditures for repair of the vessel and its nonproductive idle times will affect the final economic indicators of the crew.

At an expanded meeting held in Perm on 8 April of this year, the Ministry governing board discussed the tasks of the river fleet workers in ensuring accident-free navigation, and adopted the appropriate resolution. The resolution notes the exceptionally important role of our plied of captains. All navigation personnel must take them as their example, taking a lesson in responsibility and self-discipline, and striving to emulate them in every way. This golden resource of our cadres demands close attention and concern on the part of the managers of enterprises, party and trade union organizations. It will determine not only the success of solving the immediate problems, but also the future of the river fleet.

Well-known within the sector are certain leaders in production, initiators of accident-free navigation, laureates of the USSR State Prize, and the best captains in the Ministry of the River Fleet. These are: Oleg Alekseyevich Sergiyenkov (steamship "Volga-400" Belomorsk-Onega Steamship Line); Aleksandr Veniaminovich Demidov ("Maksim Gorkiy" Volga United River Steamship Line); Petr Mikhaylovich Larionov (OT-2064, West Siberian Steamship Line); Boris Mikhaylovich Kobelev ("Volgo-Don 237" Kamsk River Steamship Line); Vasily Mikhaylovich Shokolov (OT-2407 "Volgotanker"). All of them enjoy well-deserved authority and are first-class specialists and good teachers.

The captain is the central figure in the fleet. Therefore, every appointment to this position must be comprehensively evaluated, with consideration given to the opinion of public organizations and the advice of commanders,

mentor-captains, and organs of the river fleet inspection. This is a high trust, and must be endowed in a ceremonial atmosphere which underscores the significance and responsibility of this event. The names of newly appointed captains should be published in the river-basin press.

The Ministry is performing work on increasing the captain's authority and providing for his social protection. Steamship lines must provide their captains in priority order with apartments, permits for trips to sanatoriums and rest resorts, and other privileges. This is not a simple task, but it must be resolved. Unlike the captains of the maritime fleet, in river transport the captain keeps an obligatory watch, and we must stress, the most difficult one—the night watch. The high traffic intensity, the crowded conditions of navigating rivers and channels, the performance of additional duties with combination of professions place a high physical load and psychological stress on the captain. Therefore it is no accident that only 4 percent of our captains are over 55 years of age. All the on-shore workers must give primary consideration to resolving the questions of the navigation staff, and must facilitate as much as possible the heavy load of the captain's work.

The governing board adopted the decision to develop the integrated target program "Bezopasnost" [Safety], which will be introduced in stages up to the year 2000. This program must primarily provide for questions of the continued improvement of waterway conditions, the equipment of the fleet with modern means of communication, devices to facilitate nighttime visibility, microprocessors and other technology which would ensure navigation safety, particularly for passenger vessels. The program must consider such measures as the improvement of living conditions of the crew not only on newly built vessels, but also on existing ones, putting to use the cabins which are vacated as the number of the crew members is reduced.

The managers of steamship lines, plants and fleet REB have been apprised of the need for paying closer attention to the certification and promotion of women to higher command duties, including the position of captain, since they, as a rule, ensure accident-free navigation and fulfill the complex responsibility of the ship-handler with merit.

The practice of professional training of the fleet personnel is being reviewed. The study plans of VUZes, river fleet schools and technical-vocational schools have been revised. The question of ensuring the continuity of education is being resolved. As an experiment, an educational association is to be created based at the Moscow Institute of Water Transport Engineers. This will be the Moscow Institute of Water Transport with a faculty for advanced training, and the Moscow River Vocational-Technical School and SPTU [Agricultural Vocational-Technical School] No 202 will be under its jurisdiction. This will make it possible to organize in a unified

manner the training of rank-and-file cadres (I level), command personnel with a secondary special education (II level), and specialists with a higher education (III degree).

In accordance with the Basic Directives for Reorganization of Higher and Secondary Special Education in the country, the ministry is planning to build in the next few years educational laboratory facilities in Moscow with an area of 20,000 square meters and in Novosibirsk with an area of 8,000 square meters. A program has been approved for the development of the material base of educational institutions for the period to the year 2000. It provides for the intensive introduction of computer and microprocessor technology into the educational process.

We know that the seasonal nature of river transport work reduces the level of professional skills of the shiphandlers. Therefore, it is necessary to devote more attention to training the navigation personnel in the inter-navigation period. The Ministry has ratified a plan for the production of training mock-ups at the Omsk SSRZ [Ship Building and Repair Plant]. An experimental prototype of the main trainer was manufactured by the specialists at NIIVT [Scientific-Research Institute of Water Transport] and showed good results which compared favorably with world examples. Therefore, now the question of obtaining domestic-made computers is being resolved, as well as that of the possible purchase of part of the equipment from foreign countries.

A great reserve in increasing navigation safety is the improvement in the organization of labor and the development of collective responsibility for the state of labor and production discipline by cost accounting groups on transport vessels. Thus, the collectives of 24 "Volga-Don" model steamships of the North-Western Steamship Line and 14 tugboats of the West-Siberian Steamship Line, operating in the current five-year plan according to the principle of cost accounting groups, significantly overfulfilled the plan for transport shipments and did not allow any violations of labor discipline or accidents. This was achieved primarily due to self-government, increased mutual exactingness, and expanded democratic principles. The steamship lines must continue to develop this progressive form of fleet operation.

The meeting at the CPSU Central Committee focused serious attention on the need for a decisive turn in the direction of preventative measures for intensifying day-to-day mass-educational work with the fleet personnel. In this connection, we must say that some steamship lines are still underestimating the role and importance of the navigation safety services in increasing the culture of ship-handling, organizing the service aboard vessels, and implementing the ministry's policy in the field of navigation. Much must be done in this regard by the mentor-captains directly en route. They must see that every crew works out a clear and effective system of measures to ensure the vessel's survival under extremal conditions.

An investigation of four-deck passenger steam liners docked in Moscow and used as hotels in 1987 showed the unsatisfactory training of the crews on this question. On the steamship "Sovetskaya Konstitutsiya" (Moscow River Steamship Line), only 6 crew members came to the [emergency drill] gathering place. They were not well apprised of their responsibilities in an emergency and could not even lower the lifeboat overboard in the time required in such cases.

The inadequate attention by the managers of the Volga United, Volga-Don, "Volgotanker," Amur and Lensk United Steamship Lines toward ensuring accident-free operation of the fleet and instructing the crews in the struggle for survival is evidenced by the fact that since 1980 they have not been able to organize the re-equipment of retired vessels for use as trainers, on which the command and rank-and-file personnel must learn vessel survival skills. All the deadlines for the realization of the task on this question elapsed back in 1985.

The guarantee of accident-free fleet operation lies not only in the high professionalism of the captains and navigators, but also in the reliability of the primary machines and auxiliary mechanisms, systems, instruments and equipment on board the vessels. This is the primary task of all the ship repair enterprises, steamship lines, Glavflot [RSFSR Ministry of the River Fleet Ship Management and Ship Repair Enterprises Main Administration], as well as the River Register. When vessels come out of repair, there cannot be any deviations from the regulation requirements. We must always remember that even the slightest defect may lead to grave consequences.

Recently, a series of measures for improving navigable waterways were implemented. Dredging operations have been performed on difficult sections of the Neva, Ob, Yenisey and Lena Rivers, a system of informational symbols is being introduced, the construction of reservoir channel buoy markers is underway. However, the level of this work does not meet current demands. There is a growing disproportion between the rates of fleet development and the waterway conditions. The schemes of navigational equipment of waterways existing in the river basins do not measure satisfy the demands of navigation and have a negative effect on the accident rate.

Every year the navigation inspections find over 10,000 different irregularities in the navigation conditions: the absence of navigation boundary signs at the designated places, their non-illumination, and unreliable information about depths. Because of such failures there were 10 accidents in 1987.

Here is what N. Barmin writes in the name of the commanders' council of the steamship line "Volgotanker": "We have repeatedly turned to the managers of the steamship line 'Volgotanker,' to the waterway technical sections, and to the navigation inspections in



Astrakhan, Volgograd, and Saratov. However, our proposals on improving navigation barriers of the waterways in the Volga basin find no resolution. The river fleet workers are doing very little on this question. However, they are eagerly making excuses for not doing anything at all. The conclusion is that no one considers the proposals of the captains..."

The managers of the basin waterway and channel administrations must draw serious conclusions from this criticism and concentrate their efforts on the creation of favorable conditions for the accident-free operation of the fleet. Ship-handlers have the right to expect real help in this matter.

One of the most important tasks of waterway maintenance workers is the provision of constant control over the quality of installation and operation of signs at railroad and automobile bridges, river crossings and other structures, presenting increased requirements to their owners for the creation of safe conditions for fleet traffic. The tragedy of 1983 in Ulyanovsk must always remind us of this.

We know that the level of education work in the fleet largely depends on the party influence. Wherever there are communists on board the vessels, the production tasks are resolved more favorably, the labor discipline is higher, and the accident rate is lower. Unfortunately, the party membership among the navigation personnel is very low. On the whole throughout the sector it comprises 12 percent, in the Lensk United Steamship Line it is 9.3 percent, in "Volgotanker"—9.2, and in the Yenisey Steamship Line it is 7.3 percent. Evidently it is not by chance that these lines have the highest accident rates. On many vessels of these steamship lines there is not a single communist among the crew. In our opinion, the need has arisen for creating party committees in the Lensk United (Yakutsk), Amur (Khabarovsk), and the "Volgotanker" (Kuybyshev) Steamship Lines.

Educational enlightenment work in the fleet should be performed based on the trade union active membership. Today in the river basins there are a significant number of houses of culture, propaganda boats, and cultural bases. They are called upon to actively conduct systematic educational and mass-cultural work among the navigation personnel, and to organize the leisure time of the river fleet workers. However, the managers of a number of steamship lines and baskomflot [basin committee of the marine and river fleet workers trade union] chairmen underestimate their role in work with the navigation personnel. The river fleet workers often complain of the low quality of lectures and poor supply of books, magazines and journals. We must correct these shortcomings as soon as possible and significantly increase the operational activity of the propaganda vessels and the cultural bases, involving veterans of the party and labor more

broadly in this endeavor. The managers of the ministries, steamship lines and ports must speak more frequently before vessel crews. We must be closer to the labor collectives and delve more deeply into their needs and proposals.

A significant role in ensuring the accident-free operation of the fleet belongs to the dispatch apparatus of the steamship lines. The quality of the orders given by the dispatcher and the subsequent actions of the crew depend on how fully and reliably the dispatcher is informed of the condition of the waterway, the technical condition of each vessel and the readiness of its crew for the trip, and on how well he himself is professionally prepared. The skill of traffic managers lies in ensuring the sailing of the vessel without risk or haste, without losses or accidents.

It is difficult to overestimate the importance of comradeship in the work between the ship-handler, the dispatch apparatus, and the river fleet workers. The creation of the most favorable mutual conditions for clearance and passing, mutual warning information about navigation conditions, and timely notice and warning of violations—all these are the factors of accident-free operation. The solidarity of ship-handlers must be an inviolable law in the fleet.

A large part in questions of ensuring navigation safety belongs to the organs of the navigation inspection. The lives of the passengers and crew and the safety of the fleet and cargo largely depend on them. Nevertheless, as the CPSU Central Committee meeting noted, they do not ensure the proper control over the fulfillment of work responsibilities by officials or of the demands set forth by normative documents on navigation safety. They do not show the necessary principle toward the fleet owners in seeing that the fleet is properly outfitted and that the equipment is maintained in good technical condition. Also, they do not make full use of the rights granted them on curbing various types of violations. This testifies to the fact that the style and methods of operation of the navigational inspection organs require radical reorganization. Along with enforcing disciplinary measures, they should be more active in performing preventative work. They must be closer to the navigation personnel and must trust them more. They must give practical assistance and not consider all ship-handlers to be potential violators. At the same time, they must decisively curb the efforts of any river transport workers to work without any guarantees of safety. On this question the navigation inspections will find the full support of the ministry managers. The inspection personnel should be constantly replenished by qualified and authoritative captains. In investigating transport accidents, they must show a maximum degree of competency and objectivity and determine the primary cause of the accident. In conducting control inspections of vessels, they must place the emphasis on passenger vessels, the tankers and the "river-sea" fleet.

The uniform plays an important role in educating the navigation personnel and increasing the level of discipline and organization. Wherever the manager shows a respectful attitude toward it by his own personal example, the other members of the collective will also adhere to the rules for wearing the uniform.

The steamship lines have a sufficient number of fleet vessels, port cargo handling capacities, and a well-developed repair base to fulfill their plan assignments. Our task is to effectively utilize these resources and to creatively organize the labor of the fleet and on-shore workers. The primary role in this must belong to firm order, discipline and organization in all the segments of our complex economy.

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12322

## PORTS, TRANSSHIPMENT CENTERS

### River Port Operations Highlighted

18290156 Moscow RECHNOY TRANSPORT in  
Russian No 6, Jun 88 pp 16-17

[Article by N. Vinogradova: "Both Containers and Packages..."]

[Text] The Osetr River port is the largest port in the eastern part of the country. It ships various national-economic cargo which comes in by rail in every-increasing volumes to the Yakut ASSR and the northern rayons of Irkutsk Oblast.

In order to have time during the navigation period to receive from the railroad and forward all the cargo to the consumers, the port makes widespread use of mechanized cargo handling methods. Thus, starting with the navigation period of 1986, a new technological line was introduced which was equipped with a 30-ton container handler at the dock and fork lift loaders at the storage areas. As a result, the loading time has been reduced and several workers have been released.

The different kinds of cargo coming into the port require constant improvement in the operational technology and the cargo handling equipment. Technologist-specialists devote much attention to the automation of processes of strapping and unstrapping containers and packages. Innovators have proposed and introduced devices for handling tire covers, consolidated unit-packages of sacks, building materials, and petroleum products in barrels. Many of these devices are universal and are made in the port mechanics shops. Here the production of wire ties and brackets, wood pallets and other accessories has been automated on special machine tools.

The port specialists, having worked out a certain technology of cargo handling operations, strive to establish business contacts with the cargo shippers. They send

them technical documentation on the developed means of cargo packaging and the order of cargo placement in railroad cars. The purpose of this work is to introduce a unified technological scheme of shipping and to achieve a maximal reduction in the expenditures of manual labor.

The creative union of port specialists, NIIVTa [Scientific-Research Institute on Water Transport], and the NPO [Scientific-Production Association] "Rechport" play an important part in developing new technological cargo handling processes. The basis of this union has become the target integrated program which provides for the development of installations for the mechanization of labor consumptive processes and reduction of the application of manual labor. An example of this may be the technological line for making wood pallets which has been created at the port. The size of these pallets is two times larger than that of ordinary pallets, which makes it possible to make better use of the load-lifting capacity of the available cranes and fork lift loaders. The labor expenditure for the production of these pallets has been reduced to only one-third the previous amount. Machine tools have been designed for making wire ties for packages.

A flow line for unloading sack cargo from railroad cars with the aid of a three-stage transporter and a package-forming machine has been proposed and organized. Also, an optimal variant of a two-prong grab for the "Toyota" fork lift has been developed, as well as a semi-automatic grab for a crane handling 4 packages at a time and for the PS-3200 fork lift.

During unloading of the railroad car, the sack is sent along the transporter to the package forming machine, where a unit-package is formed, tied together with wire straps and synthetic strapping tape. Then it is placed on a pallet and taken by fork lift to the dock.

Economic computations show that for every ton of cargo transported in consolidated cargo packaging (as compared with piece unit transport), there is a reduction in expenditures of from 20 to 30 rubles (depending on the type of cargo).

The development of container and package shipments is the basic means for reducing the application of manual labor in cargo handling operations, speeding up delivery times, and ensuring the safe arrival of the cargo. The volume of shipping of general cargo in the Osetr port in 1987 comprised 2.3 million tons. Of this, the portion of shipments in special containers increased by 62.7 percent as compared with 1986, the portion shipped in open-weave packaging—by 21 percent, and in universal containers—by 10 percent. However, the volume of tare-unit cargo arriving in unpackaged form still remains high. The port expenditures for re-formulating and packaging products comprises around 500,000 rubles.

The increased volume of cargo shipments in packaged form has facilitated above all a decision on the immediate changeover to such transport for products sent to the rayons of the Far North and Yakutia. At the same time, the systematic planned work of the Osetr port with numerous suppliers has also played an important role. An example of this is the port's business ties with the collective of the Sukholozhsk Cement Plant, which was one of the first, together with the collective of the Sverdlovsk Railroad Kunara Station, to begin shipping cement in unit-packages wrapped in heat-set plastic film.

The schemes for arrangement and securing of the unit-packages inside the railroad car, as well as the linings and tie straps for the first experimental shipments, were manufactured by the port by order of the plant and in accordance with the adopted shipping technology. The first railroad cars were unloaded in the presence of representatives from the plant, the port, and the Lena Railroad Station. An examination showed that the quality of the packages as well as the condition of the cement were high. There were no broken packages. The railroad car was unloaded with the aid of an automatic loader and double-prong fork lift in 40 minutes, i.e., 3 times faster than by the old method.

Similar work was performed with the collectives of the Spassk-Dalnyy Combine and the Korkinsk Plant. As a result, it has become possible to increase the volume of cement shipped by the port.

However, the USSR Gosnab [State Committee for Material and Technical Supply] organs still pay little attention to the development of these promising forms of shipping and are not active enough in introducing already assimilated shipping technology. The packing of cargo into consolidated tare is the final link in the chain of continuous production, in which the technological process of the industrial enterprise must be automatically tied in with the process of transport.

At the suggestion of the Osetr port, other enterprises have also begun shipping unit loads in consolidated tare. Thus, the Voronezh Porcelain Products Plant has involved the PKB [project-design bureau] of NIIsstroykeramika [Scientific-Research Institute on Building Ceramics] in packaging its products. Experimental shipments in consolidated packages have confirmed the expediency and economy of these measures, as well as the convenience in handling and high degree of safety even for these fragile products. The Kutinsk Dairy Combine in Novosibirsk Oblast, in conjunction with the Kharkov branch of the Myasomolprom SKB [meat and dairy industry special design bureau] has transported milk packed in cardboard drums. Port engineers A. I. Tayurskiy, N. P. Pronina, and Yu. S. Zavadovskiy are making a great contribution to this work.

However, such enterprises as the Saratov Flour Milling Plant (Privolzhye Railroad Line), the Martynovskiy Grain Products Combine (West-Siberian Railroad Line) and others are not taking practical measures for safeguarding their

products during shipment. These suppliers grossly violate the technology of loading and securing packages in railroad cars, as well as the instructions for packaging flour and combination fodders approved by the USSR Ministry of Grain Products. For example, they do not secure packages, they do not set up barriers to keep them from falling against the door, and they load packages three rows high. As a result, most of the packages are damaged en route, which leads to considerable cargo losses. The expenditures of manual labor for unloading such railroad cars are 2-3 times higher than the norm.

At the present time, 16 grain combines located along 9 railroad lines send their products to the Osetr port. This makes it impossible to develop a unified packaging technology and quality control. Therefore, port workers are forced to re-formulate 20-25

of the incoming packages each year, spending additional funds of up to 500,000 rubles for this purpose.

An analysis of the shipments shows that often the reason for packages being damaged en route are the nails in the sides of the railroad cars which are not removed during loading. The bags tear, and the cargo spills out onto the ground. The labor expenditures for processing such cars are increased several times over, and the effectiveness of packaging is negated.

Such cargo shippers as the Shuchansk Grain Products Combine (South Urals Railroad Line) and the Dovlekanovskiy (Kuybyshev Railroad Line) and Kulundinskiy Combination Fodder Plant (West-Siberian Railroad Line) form packages of 4-5 layers instead of the 7 layers specified in the technology. They use tare with 70 kg capacity instead of 50, and load packages 3 levels high instead of 2 in the railroad cars. All this leads to breakage of the packages en route.

The grain products combines of Dimitrovgrad, Togliatti, Sterlitamak (Kuybyshev Railroad Line), Mishkino (Southern Urals Railroad Line) load railroad cars by the combined method. They lay a row of bags along the entire floor of the boxcar, and then load the packages over them. Increasing the weight of the cargo in this way, they make it impossible to utilize mechanized unloading at the cargo handling center.

Evidently, the main reason for the lack of interest by cargo shippers in ensuring the safety of their cargo during shipping and handling is the fact that it is the receiver who pays for poor quality packaging and is responsible for additional expenditures incurred in repacking. This is specified in the effective directives and standard documents. Along with the consumers, the transport enterprises also bear the losses, as they are forced to perform work which is not characteristic for them in restoring poorly packaged cargo or damaged packaging. Therefore, measures of economic leverage on the cargo shippers are needed.

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9 November 88